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DEPARTMENT OF DEFENSE AUTHORIZATION FOR APPROPRIATIONS FOR FISCAL YEARS 1990 AND 1991

HEARINGS

BEFORE THE

COMMITTEE ON ARMED SERVICES UNITED STATES SENATE

ONE HUNDRED FIRST CONGRESS

FIRST SESSION

ON

S. 1085

AUTHORIZING APPROPRIATIONS FOR FISCAL YEARS 1990 AND 1991 FOR MILITARY ACTIVITIES OF THE DEPARTMENT OF DEFENSE, FOR MILITARY CONSTRUCTION, AND FOR DEFENSE ACTIVITIES OF THE DEPARTMENT OF ENERGY, TO PRESCRIBE PERSONNEL STRENGTHS FOR SUCH FISCAL YEARS FOR THE ARMED FORCES, AND FOR OTHER PURPOSES

PART 3

READINESS, SUSTAINABILITY, AND SUPPORT

MAY 8, 12, 18, 31; JUNE 8, 1989

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DEPARTMENT OF DEFENSE AUTHORIZATION FOR APPROPRIATIONS FOR FISCAL YEARS 1990 AND 1991

MONDAY, MAY 8, 1989

U.S. Senate,
Subcommittee on Readiness,
Sustainability and Support,
Committee on Armed Services,
Washington, DC.

READINESS AND SUSTAINABILITY POSTURE OF SELECTED UNIFIED COMBATANT COMMANDS

The subcommittee met, in open session, pursuant to notice at 2 p.m., in room SR-222, Russell Senate Office Building, Senator Alan J. Dixon (chairman of the subcommittee) presiding.

Committee members present: Senators Dixon, Levin, Thurmond, and Gorton.

Committee staff members present: Richard D. DeBobes, counsel; Daniel G. Sakura, research assistant.

Professional staff members present: Robert E. Bayer, John J. Hamre, David S. Lyles, and Michael J. McCord.

Minority staff members present: Romie L. Brownlee, deputy staff director; Ronald P. Kelly and George W. Lauffer, professional staff members.

Staff assistant present: Mary J. Kampo.

Committee members' assistants present: Charles C. Smith, assistant to Senator Dixon; Kenneth N. Luongo, assistant to Senator Levin; Robert M. Soofer, assistant to Senator Gorton, Charles Pearcy, assistant to Senator Lott, and Eric H. Thoemmes, assistant to Senator Coats.

OPENING STATEMENT OF SENATOR ALAN J. DIXON, CHAIRMAN

Senator Dixon. Ladies and gentlemen, the Subcommittee on Readiness, Sustainability and Support meets today to begin our hearings on the amended fiscal years 1990–1991 Defense authorization request under the reorganization of the Armed Services Committee during the last Congress.

This subcommittee was given a broad charter to oversee two critical measures of our military capability: the ability of our military forces to go to war today and the ability to sustain forces in a conflict.

This subcommittee is responsible to the full committee and to the Senate for reviewing those elements of the Defense authorization request which are associated with the operation and maintenance of our forces and with those items of procurement, particularly related to readiness and sustainability such as conventional ammunition and spare parts.

This subcommittee also reviews the budget for military construction and family housing. By my calculations, gentlemen, approximately 36 percent of the Defense Department's budget request or approximately $109 billion in fiscal 1990 falls under the jurisdiction of this subcommittee.

In our first hearing today we will receive testimony from the designated representatives of four of our unified combatant commands. This hearing will review the current wartime readiness and sustainability posture of the forces in those unified commands and then focus on how the amended fiscal 1990–91 budget meets the specific readiness and sustainability needs of these forces.

In our second hearing on Friday, we will hear from the senior logistics commanders of the Army, Navy, and the Air Force on their depot maintenance and central supply programs, and at that hearing we will also hear the results of a General Accounting Office review of the asset capitalization program for the modernization of our military industrial facilities, which I requested last year.

On Tuesday of next week this subcommittee will participate in a joint hearing with the Conventional Forces and Manpower Subcommittees to review alternatives for substituting Reserve forces for active duty forces, particularly in the Air Force and to consider opportunities for the rapid reinforcement of forward deployed forces.

On Thursday of next week we will receive testimony from Army and Air Force witnesses on their ammunition programs and finally on May 31 the subcommittee will hold its last hearing on the amended 1990–91 defense budget, and this hearing will focus on the Defense Department's military construction program with a particular focus on overseas construction and on the long-term implications of the reduced levels of construction and facilities maintenance funding and the budget proposals and in the 5-Year Defense Plan.

We will also review with Defense Department and General Services Administration witnesses plans for the modernization and relocation of significant military activities within the national capital region. This is, of course, an ambitious schedule, but our time for reviewing the budget this year has been compressed by the budget negotiations between the Congress and the President and by the preparation of the Department's budget amendment.

Our witnesses this morning represent the unified commanders of European Command, Central Command, Pacific Command, and Atlantic Command. Lt. Gen. Edwin S. Leland is the Chief of Staff of the European Command.

Maj. Gen. H.C. Stackpole is the Director for Plans and Policy for the Atlantic Command. General Stackpole testified last year with one star on his shoulder, and we are glad to see two this year, General.

Maj. Gen. Royal N. Moore, Jr., is the Director for Operations for the Pacific Command, and Maj. Gen. Christian J. Patte is the Director of Logistics and Security Assistance for the Central Command, and as he and I have already noted for the record, this is General Patte's third appearance before the subcommittee.

Gentlemen, we welcome all of you to the subcommittee. We appreciate your being here this afternoon. Of course, your full statements will be included in the record. I have read those. We will have questions after you have given your oral testimony, and we will proceed in open session as long as possible.

I understand you also have brief classified presentations, and I have a few questions which will require classified answers, so I suggest we postpone any classified discussion until the end of the hearing when we will have a brief closed session.

The ranking minority member of the subcommittee, Senator Gorton, I expect will be here. I might say, we might not have many subcommittee members here today. We are not in session today and, as a consequence, some are back in their home States doing the usual work sessions back there.

I would appreciate it very much if each of you could confine your remarks and your testimony to 10 minutes. It would accommodate us a great deal.

General Leland.

STATEMENT OF LT. GEN. EDWIN S. LELAND, U.S. ARMY, CHIEF OF STAFF, U.S. EUROPEAN COMMAND

General LELAND. Yes, sir, I will keep mine very brief in order to facilitate the questioning later.

I am in the Army, grew up in the Air Force, and graduated from West Point, so I have been in the military my entire life. I am an armored officer, have commanded a company and a brigade in the United States, a battalion and an armored division in Europe. I've been in Europe 3 years on this tour. Came to the headquarters a year ago to be the Chief of Staff.

The European Command, of course, is a large command. It is 77 countries, 44 percent of the nations in the world, and we have there under our command just about 350,000 service members, which is 17 percent of our Armed Forces.

It is clearly a period of uncertainty. There are a lot of opportunities, and there are a lot of risks. Promised withdrawals have begun in a small way but, of course, the Soviets are continuing to modernize their force—better tanks, better airplanes, better infantry fighting vehicles and so, at least at this moment, they are stronger than when they started talking about the reductions.

But, we are optimistic. They have made preparations in a way that it appears they are going to execute what they said. We have a strategy, forward defense, flexible response. It has been the strategy for over 20 years. We think it has worked very well, and we think, the opportunities that face us now are, at least in part, a function of that strategy.

There are lots of ways to talk about the military. One way that is commonly used is the four pillars—readiness, modernization, sustainment, and force structure—and I will address each of them very briefly.

The readiness of the forces that are garrisoned in Europe is very good and has been that way for some time. The big improvements since 1982 have been in the forces in the United States that would deploy to Europe in the case of a conflict and particularly in the Reserve components.

We still have problems, but generally it is markedly better than it was in the early eighties.

The current budget protects readiness in many areas. It protects our flying hours and operating tempo for the Navy and the Army. But there are some tough areas in the base ops and maintenance account which will lead to diverted military manpower, and a significant increase in the backlog of maintenance of our facilities.

So, the readiness situation is generally positive. We have clearly gotten better. It is basically very good, but we have leveled out, and we are going to have some problems in a couple of areas.

Modernization is markedly different than it was 4 or 5 years ago. We are an M1 tank army. We are a Bradley fighting vehicle army. We are F-16s. LANTIRN is just a year away. F-15Es are coming. We have a lot of modern ships.

We are disappointed in some of the programs that we do not have, the Scout helicopter and some others, but clearly there has been great progress made, and there is a lot in the budget that continues that progress.

Sustainment is the area where we may have improved the most. Our stocks in theater have doubled since 1982. That gets to be a complicated topic because there are so blooming many different categories that you can talk about, and we are well off in some and not so well off in others, but much, much better than we were a few years ago.

The budget levels this out. We will come close to protecting what we have with the exception of spare parts for vehicles where we are on a downturn. For most categories, the budget either improves the situation a little bit or we hold our own.

One of our most critical areas is preferred munitions, and in that area we get a lot better. Over the 5-Year Defense Plan our preferred munitions almost double from down around 30 percent to up to about 60 percent of the requirement.

A subset of the sustainment business is reinforcement. Again, we are better, we now have more airplane and more materials for POMCUS. We have gone from about 25 percent of the required material for POMCUS to up around 42 percent. But, as you are well aware, we still do not come anywhere near meeting our goal in terms of the reinforcement timeframes we have promised to NATO.

And so, we are anxiously looking forward to the C-17. It is going to help, but we need to fill the POMCUS, and we need to do something about sealift.

The force structure is good and has been protected in the theater. We feel that is extremely important because of the relationship to the negotiations. If there was ever a time not to just unilaterally pull things out, the command believes this is the time, and that also is obviously the NATO position.

The last area I will discuss is military construction. I have told you that 17 percent of the force is in Europe. We have 12 percent of this year's construction budget. In there are facilities tremendously important to the command.

The history you are generally familiar with. Most of our garrisons were built in the 1930s. We occupied them right after the war. We did not take very good care of them for a long time. When I was stationed in Germany in the seventies, the facilities were really in bad condition. They had just gotten old.

We have spent a lot of MILCON money in Europe in the eighties, and the U.S. facilities are markedly better, but there is still a lot that needs to be done.

I think a reasonable question to ask in this era of negotiations, when hopefully at some point we are going to be able to withdraw some of our forces, is why should we be investing in permanent constructions?

We have looked very hard at our request from that perspective. The projects fall into several categories. Some facilities are fairly independent of troop strength. Assuming we are going to maintain a reasonable presence, an example is the Combat Maneuver Training Center we are putting in at Hohenfels training area. We would need that facility even if we had a lot fewer maneuver battalions than we have now. Another example is the project at Naples. The 6th Fleet is going to be there in some form for the foreseeable future, and those facilities are very badly needed. Our MILCON requests have been carefully reviewed in light of potential for negotiated troop reductions. We are so short of barracks, family housing and hardstand that we would still be short of adequate facilities even with completion of fiscal year 1990 projects and reductions three times greater than those proposed by NATO. Also, the 6th Fleet will not be negotiated away; hence, we need the Naples relocation project, and many projects are largely independent of troop strength, e.g., the CTMC would be required even if we had only one half the battalions currently in Europe. So, we feel very comfortable that our request is in good shape from that perspective. I will terminate here and look forward to your questions.

[The prepared statement of General Leland follows:]

STATEMENT BY LIEUTENANT GENERAL E. S. LELAND, JR.
CHIEF OF STAFF, U.S. EUROPEAN COMMAND

Mr. Chairman and distinguished members of the Congress, on behalf of General Galvin, Commander in Chief, U.S. European Command, I welcome this opportunity to contribute to your examination of the readiness programs included in the proposed FY 90-91 Defense Budget. Prior to addressing European Command's readiness posture, it may be helpful to outline the framework which these programs support: mission, strategy and necessary capabilities.

MISSION

As Commander in Chief of the United States European Command, General Galvin is responsible for U.S. military activities in Europe and most of Africa, an area encompassing over 13 million square miles and including 77 countries -- 43% of the world's nations. As the Chief of Staff of the United States European Command, I assist General Galvin in managing the day to day activities of U.S. military activities within our area of responsibility. General Galvin, in addition to commanding U.S. forces in Europe, also serves as the Supreme Allied Commander Europe, responsible to the North Atlantic Treaty Organization. He commands the theater from his Allied Command Europe Headquarters (SHAPE) near Mons, BE, while the Deputy Commander, General Richards, and I operate from the U.S. Headquarters near Stuttgart, GE. Our mission, succinctly stated, is to deter war and to maintain the peace with freedom the West has enjoyed for forty years -- or if that peace is broken -- to defend by employing the military forces of Allied Command Europe.

SITUATION

As we look at the international environment today, it is clear we are entering a period of uncertainty. There are great changes taking place in the Soviet Union and Eastern Europe, changes in the economic systems, the social structures, and perhaps even the political institutions. It is clear the Soviet Union will pass through unpredictable periods of potential instability.

These changes were not brought about by chance. The strength and determination with which NATO has met the most massive peacetime arms buildup in history, and the unity with which the Alliance has met a series of Soviet challenges in Europe and elsewhere, are principal reasons for the transition now under way in the Soviet Union. At long last we are seeing an antagonist who is beginning to respond to the measured, rational position of the West which has for years urged Moscow to reduce its forces, to desist in aggression, and to work with us for a more stable Europe at lower force levels.

In response, the Soviets have begun to display a willingness to engage in dialogue and to negotiate. Having realized the stagnation of their economy is in part attributable to their enormous defense expenditures, the Soviets are seeking to turn necessity into a virtue by declaring their readiness to participate in conventional arms control negotiations. They have learned sounding bellicose and backing it up with a military force which exceeds any reasonable need for defense only tends to alarm others and motivate them to take prudent steps to ensure their own security. Now they are at least articulating a new approach.

Within the Soviet Union, there is movement toward what the Russian leaders call "new thinking". Glasnost and Perestroika are significant concepts that seem to be shaking a stifling ideology to its very foundations. Government institutions, the economic system, and the very social structure are all undergoing change. In regard to the balance of military forces, we are hearing terms such as "reasonable sufficiency." We are hearing promises of unilateral conventional force reductions of 10,000 tanks, 5000 of which will come from the forward areas of the Warsaw Pact, 8500 artillery pieces, 800 combat aircraft, and 500,000 men. The non-Soviet Warsaw Pact nations have also announced reductions.

These are promises we hope will come about. But even if they do, many questions remain unanswered. What of the other 42,000 tanks in the Soviet inventory? What, exactly, is meant by a manpower cut? And what of the massive production rates that we still see? President Gorbachev has announced a reduction of 14.2% in the Soviet defense budget. But 14.2% of what is not clear, since the Soviet defense budget remains highly classified. President Gorbachev has also announced a 19.5% cut in production capabilities -- but 19.5% of what is equally unclear. If it were applied to the production of ground systems, instead of producing 3400 tanks per year the Soviets will make 2700 -- a level that is still nearly three times that of the sixteen nations of the Alliance. Instead of manufacturing enough artillery for four artillery regiments every month, the Soviets will make enough for only three regiments. Intentions are one thing; capabilities are another. As military leaders in Europe we must also look at the iron on the battlefield and assess the capabilities of the Soviets to do other than what they say they intend to do.

There has been no decrease in the Soviet's capability or readiness to sustain offensive operations in Europe. In addition to tanks and artillery, the Soviets are fielding two new types of ICBMs - the SS-24 and the SS-25. They also continue modernizing their short-range nuclear missile forces, notably through the replacement of their FROG system with the more capable and accurate SS-21 missile. They have commissioned their fourth 40,000 ton Kiev class aircraft carrier, and this year may undertake sea trials with their new 65,000 ton Tblisi class carrier. The Soviets are currently producing seven classes of submarines and seven different classes of major surface combatants. Their recently fielded Blackjack bomber is a highly sophisticated aircraft that gives a new dimension to their strategic nuclear force. They are building Foxhound, Flanker, and Fulcrum fighters at high rates. New and increasingly silent submarines are being produced. This equipment is a collective demonstration of first-class technological expertise. It is highly capable, highly lethal, and in numbers far exceeding the forces necessary for the defense of the Soviet Union or the Warsaw Pact.

We must face this potentially dangerous situation by remaining strong, steady and ready, and by continuing our policy of fielding only the minimum number of weapons and troops needed to ensure our security. If we do this, then instability and unpredictability in the East can be met with stability and predictability in the West.

STRATEGY

The first step in staying strong is to ensure that we have the correct strategy. This, today, is the strategy of flexible response and forward defense. From a military viewpoint this is not the classical defensive posture. It does not trade space for time. It does not allow attacking forces to come in deep, revealing the objectives of their attack, so we can then shift appropriate forces to deny them their objectives. It is not a defense which allows for economy of force along some sectors of the front so that we can channel an attacker and defeat him in time. It is just what it says it is: a doctrine of defense at the forward reaches of Alliance territory, both in the central region and on the flanks. We do not allow any operational penetrations.

But we have a flexible component to our defense, and that flexibility comes in our willingness to meet any attack with an appropriate level of defense. This concept is central to the primary objective of our strategy, to deter war in Europe. The best way to deal with the specter of war is to prevent it from happening. If deterrence fails -- and it has not since the foundation of NATO -- then the Alliance must be prepared to defend. The more we can show the ability to do just that, the less likely it is that deterrence will fail. In other words, in order to achieve our objective of deterrence, our defense must be credible which translates to ready and sustainable combat forces.

Flexible response and forward defense has been and remains the correct strategy for NATO; taking into account the ever changing mix of Alliance political and military realities. Flexible response poses three general responses to aggression.

Direct defense seeks to defeat aggression on the level at which the enemy chooses to fight. It rests on physically preventing the enemy from taking what he wants and placing the onus of escalation on him.

Deliberate escalation seeks to defeat aggression by raising, in a controlled manner, the scope and intensity of combat, making the cost and risk disproportionate to the aggressor's calculated gain. If there were a significant breakdown in the Allied defense by conventional means, the enemy would be progressively faced with the prospect that NATO would resort to using theater nuclear weapons.

General nuclear response contemplates the use of strategic nuclear strikes as the ultimate military response to destroy an enemy's capacity and will to continue the war.

An essential element of flexible response is forward defense. We lack the depth to carry out a more traditional strategy, in which a defender facing a numerically superior force trades space for the time needed to wear down the attacker and to organize a counter-attack. Instead, our outnumbered forces rely on the threat of escalating the conflict by employing nuclear weapons to increase the costs of aggression beyond any level the attackers should be willing to pay. Forward defense contributes to this strategy of deterrence because the Soviets recognize any aggression will be met immediately by NATO forces defending every inch of Western European soil, and they know they will be unable to attack NATO without running grave risks of nuclear retaliation.

FY 90-91 BUDGET

But any strategy is useless unless we dedicate the resources to support it. One of USCINCEUR's primary tasks is to identify the capabilities necessary to accomplish his assigned mission, to identify existing shortfalls, and to develop solutions. General Galvin has worked closely with the Secretary of Defense, the Chairman of the Joint Chiefs of Staff, and the Service Chiefs to develop a budget which best resources critical deterrent and warfighting capabilities of the European Command.

Throughout the budget formation process, General Galvin's message has been the need for a balanced approach across the budget and within each pillar of defense: readiness, sustainability, modernization and force structure. A balance must be achieved that not only provides a sufficient number of systems, but also the people, support, and facilities necessary to operate, train and repair those systems. The current budget provides the European Command a balanced package of deterrent capabilities, within available resources, while minimizing the increased risks. In general, key programs have been preserved, as has the progress we have made during the past few years to improve our readiness and sustainability posture. We also have proposed prudent investments for the future recognizing modernization of our forces is a continuous challenge which cannot be postponed without incurring greater risks and higher costs later. Most importantly, we have avoided the temptation to provide a budget which would return us to the "hollow" force structure of the 70s.

This was not accomplished without cost, however. The constrained resources have forced some hard decisions on the future of many programs. Although they represented important capability increases, many programs were terminated. Rather than stretch all programs, which would increase costs and slow the delivery of the systems to the field, lower priority programs were cancelled to provide necessary funds for the more important capability requirements.

MODERNIZATION

The strategy of Forward Defense and Flexible Response dictates we be prepared to defend Alliance territory at the border. Our forces must have the capability to fight the close battle on the front line and the deep battle in the enemy's rear area. Of the 22 complete divisions on line in Europe, four are American, with an additional two regiments as a covering force. Together with our air squadrons and Naval forces, these forces constitute some of the greatest combat power in NATO. But strength is a relative measure. As the other side modernizes, we must modernize. Our forces cannot deter and certainly cannot defend without the proper equipment, training, sustainment and reinforcement.

CONVENTIONAL FORCES

The first requirement of our conventional forces is to prevent a breakthrough by the first strategic echelon of the Warsaw Pact. This means we must have adequate early warning to put our forces in place, and adequate firepower and reserves to allow for victory in the close battle. This requires the right number and mix of units with the proper equipment to meet and hold a massed Soviet/Warsaw Pact mechanized force at the tactical level. To accomplish this task we will rely on a variety of weapon systems including modern attack aircraft, a capable air defense system, and an improved ground combat capability. To these we need to add the Forward Area Air Defense System (FAADS) to improve our ability to defend against enemy air forces, the Advanced Antiarmor System to enhance our ability to engage the newest generation of Warsaw Pact armor, and the Multiple Launch Rocket System (MLRS) to fire on area targets.

Even with all this, however, we will not be able to hold against a numerically superior foe unless we can delay and disrupt the second strategic echelon of Pact forces which will be trying to reinforce the close battle. If we do not break up and slow the operational maneuver groups and other Soviet reinforcement and exploitation forces, the attackers could rip a hole in our defenses. Fighting the deep battle is a complex process which begins with the identification of enemy forces with systems like the new Joint Surveillance Target Attack Radar System (Joint STARS) and the TR-1 Tactical Reconnaissance System.

The information gained by these and other methods must then be collated and turned into usable intelligence with systems such as the Battlefield Intelligence Collection and Evaluation System (BICES). We need timely, integrated, all-source intelligence systems which fuse, analyze, and disseminate timely targetable battlefield information. Together these capabilities will make a major contribution to our ability to interdict enemy follow-on forces e.g., Follow-On Forces Attack.

Attacking these deep targets will be aircraft such as the F15E and the F16 which, when equipped with the requested Low Altitude Navigation Targeting Infrared for Night Flight (LANTIRN), will be able to strike targets at night and during periods of limited visibility. Just as important, the Navy TLAM C/D and the new Army Tactical Missile System (ATACMS), and infiltrated Special Operations Forces can provide alternative methods for striking deep targets.

To integrate the close battle with deep operations effectively, and to enable the conduct of joint and combined operations, we need to upgrade our command and control assets. Key programs such as MILSTAR, Single Channel Ground-Airborne Radio Systems (SINGARS), Worldwide Military Command and Control System (WWMCCS), Joint Tactical Information Distribution System (JTIDS), and other secure jam-resistant voice improvements should remain on track. In concert, these systems make it possible for our fighting units to exchange battlefield information using digital communications which are highly survivable and jam-resistant.

NUCLEAR FORCES

In the nuclear arena there is one clear priority — the continued modernization of our theater nuclear weapons. In 1983 the NATO Defense Ministers agreed to reduce unilaterally NATO's nuclear stockpile by 1400 weapons. This reduction, combined with the previous unilateral reduction of 1000 weapons, brings NATO's nuclear stockpile to it lowest level in twenty years. At the same time Ministers identified a modernization program to ensure the Alliance retained systems which are effective, reliable, and survivable. These requirements remain valid today. We need to upgrade 155 mm artillery-fired nuclear warheads, acquire the SRAM-T tactical air-to-surface missile for dual capable aircraft, and develop, produce, and deploy the Follow-on to Lance (FOTL) missile system.

READINESS OF OUR FORCES

We all recognize it is one thing to update our weapon systems, but quite another to ensure they will be supported sufficiently to maintain the level and duration of combat operations necessary to achieve our strategic objectives. Thus, I must stress the continued need for a balanced program of readiness improvements. This is particularly important in the case of our forces in Europe, elements which occupy forward defensive positions and would have to fight heavily outnumbered against the Warsaw Pact's assault echelon. We must make the most of the forces we have by setting and meeting the highest standards for manning, morale, equipping, training, maintaining, sustaining and reinforcing. Readiness and sustainability are the keys to first holding against the lead attacking echelon of the Warsaw Pact and then prevailing over a numerically superior enemy.

With your support, the readiness and sustainability programs, prepared jointly by the Services and CINCs, will enable U.S. forces, within available resources, to maintain marginally acceptable levels of support. Although I would prefer higher levels, we have made progress in several key areas: improved Wartime Host Nation Support from our allies; filling of POMCUS; improved wartime medical care capability; improving our forward deployed CS/CSS units. But we are not where we should be. Shortfalls continue to exist in all of these areas. The United States has committed itself to be able to provide ten divisions (four in place and six additional) and sixty reinforcing tactical fighter squadrons in ten days for the defense of Europe (the "10 in 10" concept). We have yet to fulfill that commitment.

The in-theater major combat forces are ready, possessing the resources and having accomplished the training necessary to undertake the majority of their wartime missions. This is a result of all Services giving a priority of effort and resources to the manning, equipping and supporting of our forward deployed forces. The priority readiness and sustainability requirements of the European Command are addressed adequately in the FY 90-91 Budget and, while this budget will not resolve all theater deficiencies, it does preserve the progress of recent years.

RIGHT TRAINING MIX

To integrate all of the complex weapon systems into a cohesive defense, it is important our forces train intensely and efficiently at every level. Ways are being studied to capitalize on computer simulations and other modern training methods to teach the proper principles and techniques at all levels, from the lowest units to the highest. We are working to develop operational proficiency at the top — at echelons above corps — as well as highly proficient tactical commanders. The Warrior Preparation Center, in conjunction with the Joint Warfare Center, continues to be the focus of our efforts. Additionally, recent enhancements have been made to the REFORGER

Program to develop the "right mix" of simulation, unit maneuver, command post exercise (CPX) and command field exercise (CFX) to achieve maximum possible training readiness in this environmentally constrained theater. The end result will be expanded and improved training for commanders and staff officers requiring fewer soldiers and tracked vehicles. Combat soldiers and their tracked vehicles will be predominantly trained at the Combat Maneuver Training Center.

OPTEMPO

As we continue implementing our key modernization programs, the requirement for training increases. Modern equipment is of little use if our troops are not able to operate them effectively. A key factor influencing their effectiveness is the level of training provided through the funding of Operations Tempo or OPTEMPO, the number of tracked vehicle driving miles, ship steaming days and aircraft flying hours which are funded each year. This funding determines how frequently and for how long we can actually operate and train with our vehicles, planes and ships. The lower the OPTEMPO funding, the less time our forces can train on their systems. For today's junior officers and NCOs, who will be tomorrow's senior leaders, missed training opportunities cannot be recouped. Minimum OPTEMPO funding to meet European Command's training objectives has been provided and I urge your support in maintaining these levels.

OPERATIONS AND MAINTENANCE

Operations and maintenance funding is another significant contributor to readiness and overall combat capability. Unfortunately this resource category has become the traditional attractive target for substantial reductions as Defense budgets are cut back. In terms of buying power and considering real mission growth within this command, the Operations and Maintenance funding is approaching the low funding levels for the late 1970s when all the Services attempted to operate with "hollow forces". Following the FY 88 deficit reduction actions, for example, our Air Force component was forced to absorb a significant negative real growth funding from FY 87 to FY 88. Deployments for needed flight training had to be cancelled. Unquestionably, critical weapon qualification skill levels suffered. Any reductions in Operations and Maintenance funding should be resisted.

MILITARY CONSTRUCTION

Military construction, comprising both new construction and facility modernization, provides adequate training, work and living facilities to support the readiness of our forces and our ability to sustain those forces. MILCON is a major force multiplier which allows our forces to increase their mission capability without increasing their size. The sophistication of our weapons systems increases the need for critical maintenance and support facilities. European Command's FY 90-91 MILCON program supports readiness by constructing secure command and control facilities, providing bare minimum maintenance facilities for our most modern tracked vehicles and attack helicopters, developing a necessary combat maneuver training complex, ensuring adequate on-base housing, and reducing the number of overcrowded and deteriorating schools.

A question often asked these days is why we should continue to invest in facilities in Europe when there is a chance the ongoing arms control process will produce a reduction of U.S. forces in theater. It is a fair question that deserves an honest answer. I see two reasons to support our program. First, the Soviets have accepted arms control because we are strong. Weakening ourselves during the process makes the other side less willing to negotiate. Second, and more important, we have scrubbed our programs and are submitting only projects that are enduring — they are needed even if we made substantial force reductions in Europe. For example, the command and control requirements for U.S. Naval forces in the Southern Region are not going to be diminished by any foreseeable arms control agreement and the need for the Combat Maneuver Training Center is largely independent of the number of combat battalions in theater.

SUSTAINABILITY

Sustainability, from European Command's perspective, is inseparably linked to our readiness posture and to our ability to maintain the necessary level and duration of combat activity to deter war, or if necessary, to fight conventionally. Specific personnel, equipment and theater stockage requirements, for in-place and reinforcing forces, have been established and we continue to grow towards attaining those requirements.

Despite increasingly austere Defense budgets, progress has continued in improving our overall sustainability levels. While we would prefer higher levels, the FY 90-91 Budget preserves the overall progress of the last few years. With your support we will continue to fill our POMCUS stocks, make essential upgrades to manage better our prepositioned equipment and the reception and onward movement of U.S. reinforcements, and begin delivery of the C-17 transport aircraft. The risks associated with support force structure shortfalls are reduced with recent increases in the levels of Wartime Host Nation Support that is to be provided by our Allies. The Collocated Operating Base (COB) agreements, making European airfields available to U.S. reinforcing air units during wartime thereby reducing the number of aircraft at any one base, will complicate Soviet plans.

We remain, however, unable to meet fully our reinforcement commitment to NATO. This is the result of continuing shortages in a number of interrelated areas: readiness and availability of support units; POMCUS fill; strategic lift; theater war reserve stocks of preferred munitions, equipment, spare parts, deployable medical systems and medical supplies; warehousing to support prepositioning and other theater storage programs; and U.S. financed aspects of host nation support. Balanced progress must continue in each of these areas. Because they are so closely related, efforts to make improvements in one area often yield true dividends only if accompanied by progress in others. Greater POMCUS fill can decrease the shortage of our early strategic lift to carry equipment from the United States. On the other hand, increases in our POMCUS stocks must be accompanied by increases in warehouse space necessary to store those stocks. In short, we must be constantly alert to the interrelationship among various capabilities as we work to improve the overall posture.

WAR RESERVE STOCKS

Our stockage of essential war material determines how long a conventional defense in Europe can be conducted. Although there has been continual improvement over the last five years, many of our stockage levels are not sufficient to meet agreed U.S. or NATO standards. We have shortages in both threat oriented and level-of-effort munitions, and in almost all categories of missiles. Especially critical shortages exist for air defense, anti-armor, and anti-ship missiles. New technology munitions for the 155 mm and 8-inch artillery systems are also in short supply. Significant shortages in major Army end items (tanks, helicopters, infantry fighting and cargo handling/carrying vehicles) are compounded by shortages in replacement assemblies and spare parts needed to keep the equipment operating. There are shortages of needed replacement engines, transmissions, aircraft boom assemblies and other spare parts. Significant shortages in the Air Force war reserve spare parts packages adversely affect our ability to sustain air combat.

AMMUNITION

It is very important that we have the proper ammunition in the right quantities at the right time and place on the battlefield to conduct a successful defense. The air battle requires the Navy's Phoenix missile, the

Air Force AIM-9 Sidewinder and the joint Navy/Air Force Sparrow/AIM-120 Advance Medium Range Air-to-Air Missile (AMRAAM). There still exists a critical shortage of preferred air-to-air munitions. To penetrate Warsaw Pact reactive armor, the ground forces need 120 mm smooth bore main gun ammunitions for the Abrams tank and Hellfire missiles for the Apache helicopter.

POMCUS

The purpose of POMCUS is to forward position equipment for six CONUS based divisions ear-marked to reinforce Europe, so that in time of crisis only unit personnel and a minimum of equipment will require airlift. Over the years, the POMCUS program has continually improved, yet there is still a lot of equipment to be procured and prepositioned. As we proceed to increase the fill of POMCUS, and we would make adequate progress with the FY 90-91 budget support, we also proportionally reduce the shortage of air and sealift. Completing the POMCUS program will reduce the shortage of aircraft and ships required to support the reinforcement and sustainment effort. If mobilization occurred today, a substantial portion of our lift requirements would be dedicated to transport equipment and supplies which are scheduled but not yet prepositioned in POMCUS.

LIFT

The U.S. military does not have sufficient air or sealift to place the required forces in Europe to meet our national reinforcement commitment. Senator Denton's second Report of the Commission on Merchant Marine and Shipping expressly cited that insufficient strategic sealift exists to execute a major deployment in support of contingency operations. Other OSD, JCS and CINC studies completed in the last year have highlighted our strategic shortfalls in airlift, sealift, and prepositioning. Procedural initiatives identified by the OSD/JCS study, "Improving Force Closure for Europe (IFCE)", and CINCEUR's study, "Reception and Onward Movement for Europe (ROME)", have resulted in improved force closures. The programmatic solutions, however, provide the challenge to meet our commitment. We must continue to alleviate this problem of insufficient lift by increasing the levels of prepositioned equipment and supplies, and by enhancing lift capabilities. Further, we need to win the anti-submarine warfare battle in the Atlantic to have a chance of the lifted forces reaching Europe. We urge your continued support for such programs as the Navy's amphibious shipping SEASHED/flatrack equipment enhancements for container ships, fast sealift, and production of the Air Force's C-17s for a FY 92 initial operational capability.

COMBAT SUPPORT/COMBAT SERVICE SUPPORT

The logistics structure available to sustain U.S. combat forces during the early days of a crisis or conflict in Europe is another critical component of successful defense. Most of the Combat Support and Combat Service Support personnel, those individuals so necessary to sustain the combat forces, are in the Reserve and National Guard force structure. These units make up a substantial portion of the U.S. Army forces that are required to be deployed to Europe to support and sustain our committed combat forces. Our in place logistics organizations are inadequate to meet wartime support requirements for the forces presently in Europe. The support units in-theater are undermanned and would require thousands of additional troops on the day reinforcement begins to meet necessary manning levels. Support for reinforcing units is also a problem, since most is to be provided by reserve component unIts, many of which are undermanned and not equipped to perform the tasks for which they were formed. While the readiness, availability, training and equipping of these forces continues to improve, we still have a long way to go before current deficiencies are reduced significantly. The Army is involved fully in addressing this issue and I ask for your continued support in funding improved availability, readiness and sustainability of our Reserve and National Guard forces.

MEDICAL

Adequate medical facilities and a reasonable evacuation policy greatly enhance sustainment of the force by providing needed medical treatment and reducing the number of combat injured personnel that would be required to be returned to CONUS. Proximate in-theater care is the most effective investment for replacement of combat power. Current resources for medical readiness and sustainability severely constrain the number of casualties returned to duty through in-theater treatment.

TAKING CARE OF OUR PEOPLE

The most valuable resource we have in the military is the men and women in uniform. Their welfare and morale is a key component of readiness. The success of any defense strategy, no matter how well crafted, depends ultimately on the quality and commitment of the people assigned for its execution. We have an obligation to take care of these service men and women as well as their families by providing them with adequate compensation, medical care, housing, schools, family care and facilities for training, working, and recreation.

These young men and women serve with discipline and loyalty so their countrymen might live in peace and security. They often make sacrifices of their own well-being and life styles which would be intolerable in the private sector. They are a proud group who have volunteered for duty and who serve with dignity. We owe them just compensation for their contribution.

Recent budget cuts have already forced us to extend tours overseas, to delay promotions, to reduce family support programs, child care facilities, and libraries, to reduce funding for morale, welfare and recreation facilities and to delay or cancel needed school construction. Additionally, reduced operations and maintenance funding has forced us to take soldiers away from training and place them in base support jobs previously contracted out. We must be sensitive to the impact these budgetary reductions are having on the morale of our service members and their families. Insufficient support of such programs will have a negative impact on retention and recruiting, and ultimately on force readiness. Supportive and cared for families allow our forces to focus on their primary mission — training. We should continue to be a nation that is prepared to meet its responsibility to our citizens in uniform.

ARMS CONTROL

While we are maintaining our strength, we must also be willing to negotiate to provide enhanced security at lower force levels. And we are. In recent months, the Soviets have made some momentous admissions which may open the door for favorable negotiations in the future. The first one was by Marshal of the Soviet Union Akhromeyev, former chief of the Soviet General Staff, who last summer said, until then, the Soviet military had been offensively postured, but now they were going to change to a defensive posture. Then, last December, President Gorbachev in his U.N. address pointed out, by removing 5000 of the 10,000 tanks in the forward area, he would be shifting to a defensive posture. These are admissions of something the Soviets long have denied, that they have been an offensively posture military power.

Not only have they made these admissions, but they have established the precedent that the bigger side must come down first and asymmetrically. The INF Treaty was a victory in this regard. The Soviets are destroying 1846 missiles to our 846. The Gorbachev promise of unilateral conventional reductions reaffirms this precedent. But it should not obscure the fact, even with these reductions, the Warsaw Pact will remain vastly larger. Future reductions will have to be asymmetrical to preserve stability. Without asymmetrical reductions, the Warsaw Pact could markedly increase the correlation of forces to its own advantage, displace the nuclear threshold, and reduce overall security while it streamlines and modernizes its forces.

While conventional arms control negotiations offer the opportunity to enhance security and stability at lower force levels, we cannot ignore the risks involved. The first risk we run is in tampering with our strategy. We have carefully considered the best strategy for our Alliance and have concluded it remains forward defense and flexible response. As we negotiate, it is important to understand an arms control agreement could affect our ability to execute that strategy.

The second risk deals with our force structure. The effectiveness of a force is measured by a variety of means: number and size of units, reinforcement capabilities, sustainment, doctrine, strategy, tactics, organization, and training. No part is independent of the others. Modifications in one of these areas affects all of the others. If we negotiate changes in one of these areas, we should be aware of its implications for the others.

The third risk we encounter has to do with our ability to verify any agreement. This is a tough area, in conventional arms it is much harder than it is for nuclear weapons. It would be impossible to have a 100% inspections of all conventional forces. There are just too many things to check. It would be inordinately expensive, and may not tell us what we need to know. We are already spending a great deal of effort on verifying the agreements under the Stockholm Accords and the INF Treaty. To do it right requires a substantial overhead -- Russian language speakers, escorts, accommodations, communications, and transportation, to say nothing of the money and manpower required. Verification of conventional arms control agreements will be even more difficult.

Assuring compliance with chemical weapon agreement would also be hard. Since the major ingredient in chemical weapons is alcohol, and since there are so many ways to produce them, adequate verification will be very difficult. Yet it would be vital to have a way to ensure that all nations are meeting their obligations.

While negotiations on conventional forces offer solid opportunities we must not treat them as a panacea, for there are risks. These risks must weigh heavily in the negotiations. If we do not move through them intelligently with adequate military advice, then we could end up worse than when we began.

CONCLUSION

As we face the tough challenge of funding a prudent level of deterrence, we must not accept false solutions which destabilize, increase the risk to Western security, reduce our commitments to Allies and friends, or in other ways fail to meet our defense needs. During the course of the budget deliberations this year, several significant events will unfold in Europe. This year will mark the beginning of the much-heralded and long awaited negotiations on conventional forces in Europe; continued implementation of the INF Treaty; and most significantly, the celebration of the fortieth anniversary of the North Atlantic Alliance, marking the longest period of continuous peace and security for Western Europe in modern times. This has been no accident of history, but rather the fruit of hard, careful, and unrelenting labor by Western Statesmen and soldiers.

As we celebrate this important event, we need to remain mindful that U.S. forces are forward deployed in Europe because it is in the U.S. national interest. Those forces have to be maintained and supported to counter the threat posed by the Soviet/Warsaw Pact forces they face. We cannot create a European presence which serves only as a tripwire for employment of nuclear weapons. Our goal should be to enjoy many more anniversary celebrations for NATO.

There are no easy, quick solutions for the challenges we and our European Allies face in deterring Soviet aggression in Europe. Our strategic approach, so successful in the past, is correct and continues to produce positive results. Continued peace with freedom in Europe is dependent on the long term commitment to achieve this end. Our collective challenge is to ensure maximum effectiveness of our capabilities.

Today, because the economy is being stressed, there is a great temptation to push funding for spare parts, ammunition and support into the "outyears." I ask for Congress's continued support to preserve the progress made during the past years. Today, Warsaw Pact forces arrayed against the Central Region of NATO have sixty to ninety days of operational spares and supplies deployed forward. Our own stocks do not compare. Our greatest weaknesses are in the areas of war reserve stocks of preferred munitions, spare parts, and equipment; and readiness of support forces. These concerns are compounded by continuing shortfalls in the areas of strategic sea and airlift. It would not be fiscally responsible to ask for a complete overhaul of support forces, despite the overwhelming need, but it is crucial we continue to improve our existing levels of readiness and sustainability. No forces, however large or modern, can prevail without adequately trained people, and the necessary facilities to service and repair equipment and to distribute supplies to combat forces.

We can ill afford to reduce further our readiness. Such a course would inevitably lead to hollow armed forces and a vulnerable nation. Thanks to the support of the Congress, we are just recovering from having pursued such a course in the 1970s. It is tempting to take a disproportionate share of reductions from the readiness accounts because cuts in those accounts translate into immediate "savings." But that temptation is much easier to resist if we remember that readiness cuts also translate into an immediate loss of deterrent and operational capability. They also mortgage the training of current and future leaders which is so fundamental to success on the modern battlefield.

The credibility of our deterrence, how our adversaries and others perceive our will and capabilities, and our actual warfighting capacity are no stronger than our ability to achieve and maintain the level and duration of combat necessary to attain our objectives of maintaining peace with freedom.

Senator DIXON. I thank you, General. You set a fine standard. It is 7 minutes of your allotted 10. Would that you were a member of the U.S. Senate. You could accomplish a great deal here.

General Stackpole.

STATEMENT OF MAJ. GEN. H.C. STACKPOLE III, U.S. MARINE CORPS, DIRECTOR FOR PLANS AND POLICY (J-5), U.S. ATLANTIC COMMAND

General STACKPOLE. Thank you, Mr. Chairman. I am pleased to have the opportunity to represent Admiral Kelso in this hearing this afternoon, and also appreciate the fact that our statement has been entered into the record.

That statement addresses the current military strategy in the Atlantic Command, our forces and the CINC's priorities and his concerns. I hope also that it will not only give you an appreciation of LANTCOM's area of responsibility, but contribute to your ongoing review, as you stated at the outset of the President's revised fiscal years 1990–1991 defense authorization request.

Admiral Kelso has asked that I report to you today that the readiness and capability of our military forces are reasonably sound. A major reason for this is that the men and women of our Armed Forces have never been more dedicated or more well trained than they are today. And we would fare well, we feel, if we had to go to war today in the Atlantic Command.

Our military and our country has benefited today from the defense buildup between fiscal year 1979 and fiscal year 1985. We recovered well from the neglect of the seventies and, as you remember, sir, a bleak period when we at times had ships unable to get underway because of material problems and personnel shortages, a period when aircraft readiness suffered because of too few spare parts and trained maintenance personnel, a period when problems with morale were all too often the norm.

We are still seeing improvements from yesterday's investment in people's programs, force modernization, unit training, and readiness. But, our actions today with defense appropriations will impact this assessment in the early to mid-1990s.

As we are all aware, the prospect for a net decline, in our military capability is great. We fully acknowledge that there are difficult choices ahead. Decisions will be driven by a dynamic threat, competing national priorities, and constrained fiscal resources.

We are also aware that the general public in the United States and especially in Europe perceives a lessening of tension between East and West. They see new hope for progress in arms control and in many other matters which historically have been a source of mutual friction.

Certainly changes are taking place within the Soviet system. But, the extent and duration of these changes is as yet unknown. We can watch and hope for improvements in the way we do business, but we live in a dangerous and unpredictable world.

And, despite their recent promises, from our perspective the Soviets have yet to dismantle a single military system. With the exception of Afghanistan, they have not withdrawn from a single military position.

And although they have withdrawn several hundred older tanks from Eastern Europe, the impact of this withdrawal is somewhat offset by the expectation that Soviet tank production this year will be at an exceptionally high level.

While there has been a reduction in the number of Soviet out of area naval operations, they have nonetheless aggressively continued their naval construction program which includes advanced submarines, surface ships, and aircraft carriers.

In fact, Soviet military capabilities continue to grow across the board. We are seeing front-line Soviet naval aviation units deployed to forward areas on the Kola Peninsula adjacent to the Barents Sea. Their Yankee strategic submarines are on patrol now in the Western Atlantic. Other Yankee SSGNs have been outfitted with advanced highly capable sea-launched cruise missiles.

The Soviet Navy is far more capable now than it was when Mr. Gorbachev came to power. So, with these improved capabilities, the Soviets post just as formidable a threat to our combat forces, even if they are operating closer to home on a day-to-day basis. Although there may be a muddle of expectations from perestroika and glasnost, the unified commander has to be a realist and pragmatically approach his command responsibilities based on the observable, real threat and not upon the other side's stated but as yet unfilled intentions.

Admiral Kelso's top priority, sir, is to preserve the gains that we have made in readiness in order to remain capable of meeting our commitments and to remain ready to respond to the wide range of contingencies and threats.

Our readiness is reasonably sound, as I said at the outset, as a result of prior year funding and strong congressional support for pay and benefits, spare parts, and maintenance programs.

Yet, in spite of significant improvements since 1981, we do have shortages. We lack forces in sufficient numbers to execute all of our wartime tasks with acceptable risk. The early wartime availability of adequate numbers of deployable carrier battle groups is an issue which is constantly under review and, unfortunately, in doubt.

We have additional force structure shortfalls in the numbers of surface combatants, mine countermeasures, amphibious and combat logistic support ships.

While we continue to deploy fully ready battle groups, sustainability shortfalls remain. Specifically I refer to air-to-air and antiradiation missiles, torpedoes, sonobuoys, and weapons handling equipment.

Our greatest war fighting concern is the Soviet submarine force, and our need to maintain our current advantage over the Soviet Union and their allies in nearly all areas of the maritime balance, the Soviets have narrowed this maritime advantage of the Western powers, and the trend is expected to continue.

For example, they are successfully incorporating quieting technology in their new construction as well as overhauled submarines. This has seriously complicated our ability to detect them and has challenged us to invest in and develop new technologies to stay ahead. We must continue to dedicate adequate resources to this task.

Although the challenges and priorities before us are many, we must not and cannot fail to support our most perishable asset, our dedicated people. The remarkable abilities, spirit, and morale of the young men and women in the Armed Forces today form the very heart of our sound readiness.

The strong support of the administration in Congress in providing competitive pay and benefits to these capable deserving service members is in no small measure responsible for the high morale we have today. They firmly believe now as never before that the American people support and admire their efforts. And speaking for each military man and woman, this support is truly appreciated.

We have proven that the All-Volunteer Force works and works well and, in view of the current strong public sentiment against compulsory service, it is evident that we must maintain a strong volunteer military. We need to continue those pay, bonus and quality of life programs so necessary for recruiting and retaining our top quality soldiers, sailors, airmen and marines.

And, sir, we will address those other items in detail when you are ready to give your questions. Thank you.

[The prepared statement of General Stackpole follows:]

PREPARED STATEMENT OF

MAJOR GENERAL H. C. STACKPOLE, III, USMC

Director for Plans and Policy (J5)
U.S. Atlantic Command

Introduction

Mr. Chairman and members of the Committee, I appreciate this opportunity to represent Admiral Kelso and to discuss the Atlantic Command and the important part it plays in our National security. As the Director for Plans and Policy for USLANTCOM, I hope to give you a good appreciation of our area of responsibility, explain our strategy with present and programmed military forces and to discuss the strengths as well as the CINC's areas of concern in the Atlantic Command.

We are in a period of uncertainty and I fully acknowledge that there are difficult decisions ahead. These decisions will be driven by a dynamic threat, competing national priorities and constrained resources. Certainly there is a general feeling in the United States and, especially in Europe, that there is a lessening of tensions between East and West, and that significant progress has been made toward resolving some of the issues which have historically been the source of friction between the United States and the Soviet Union. An improvement in the way we do business is, in my judgement, good for the entire world. However, in spite of the rhetoric, the CINC must approach his command responsibilities based on the military threat which is possible and observed. While there has been a reduction in Soviet out-of-area naval operations, there has not been a reduction in existing naval forces or a decrease in the new construction of naval combatants, support ships and aircraft; and, in fact, we have seen a deployment of frontline Soviet naval aviation units to forward areas in the Kola Peninsula, adjacent to the Barents Sea; and Yankee strategic submarines have resumed patrols in the Western Atlantic. In fact, Soviet military capabilities continue to grow across the board and their intentions for unilateral force reductions have yet to be fulfilled to the public's expectations. As such the CINC must be a realist and pragmatist and prepare for the observed threat or challenge.

Certainly we all sincerely hope that tensions in our world will continue to decrease. But, until we see a change in the military capability of the only nation able to provide a serious challenge within our area of responsibility we must remain prepared to meet that challenge. I strongly believe forty years of preparedness to meet that challenge is a major reason for the encouraging developments now underway in the Kremlin.

Atlantic Command

The Atlantic Command is primarily a maritime command. It encompasses the entire Atlantic Ocean, the Caribbean and Gulf of Mexico. In addition, it includes waters in the Pacific adjacent to Central and South America. The Atlantic Sea Lines of Communication (SLOCs) are a major link between the United States and the rest of the world. Through this area pass many of the strategic raw materials, petroleum and finished products which are the foundation of world trade. And it is over these same SLOCs that reinforcement and resupply shipping must flow in the event of conflict, of whatever intensity, in Europe, the Middle East or Africa.

I cannot overstate the importance of the Atlantic to the U.S. and our NATO allies. In a conflict with the Soviet Union, our responsibility is to support the land campaign in Europe by ensuring the safe and timely flow of personnel and equipment over the SLOCs, and by the direct application of combat power in support of the land campaign.

Failure to keep open this link to Europe would ensure defeat of Allied ground forces in Europe. Regardless of how well our ground and air forces would fight, the seaborne flow of equipment and supplies is absolutely essential to sustain the battle. This has been clearly demonstrated in two world wars.

Strategy in the Atlantic

Recognizing the challenge we face in the Atlantic, both the U.S. and NATO long ago adopted a maritime strategy based upon the principles of forward defense and containment. Forward defense, simply stated, means that in conflict our best means to defeat the Soviet Navy, defend the Northern Flank of NATO and maintain an unbroken link with Europe is through the early movement of naval forces to the North Atlantic and Norwegian Sea. If such a movement can be accomplished prior to the outbreak of hostilities, it would strongly signal our resolve to protect our interests, hopefully deter war; and, if conflict arose, place us in a position to fight effectively.

The advantage of forward defense is that if we are unable to deter war, then our forces will be in position to fight and to contain the majority of the Soviet Navy in waters far north of the Atlantic sea lines of communication. If we can fight there, containment is far simpler than it will be if the Soviet Navy were able to reach the open Atlantic south of Iceland. We do not have sufficient forces to simultaneously support the Northern flank and adequately defend shipping against a Soviet Navy deployed in large numbers throughout the Atlantic. Forward defense minimizes this numerical weakness, while at the same time capitalizing on Soviet geographical disadvantages. The Soviet road to the open ocean is narrow, fifteen hundred miles across the Norwegian Sea, and adjacent to a network of NATO eyes and ears.

Of great importance to eventual success in a battle for the Atlantic is our ability to operate from NATO facilities both in Iceland and in Norway. If we were to lose North Norway and

Iceland, our position in the Norwegian Sea would be untenable; Soviet forces would have easy access to the open Atlantic; and ports in the United Kingdom and northern Europe would be vulnerable to Soviet air attack from occupied forward bases in Norway. Again, the early movement of forces would deny the Soviets such opportunities.

U.S. Forces

While we lack forces in sufficient number to execute all wartime tasks simultaneously, the readiness of the active forces remains high. The overall quality of ships and aircraft is superior to that of the Soviets. The United States and its allies currently enjoy an advantage over the Soviet Union and its allies in nearly all areas of the maritime balance. In quantity and quality of forces, we continue to realize the benefits of the increased funding provided during the first half of this decade; however, the rate of improvement has slowed or halted. Zero or negative growth will have its impact downstream. We may be beginning to see the first signs that equipment and supply readiness have peaked.

The 315 active and reserve ships of the Atlantic Fleet are operating at unprecedented peacetime levels. While the Iran-Iraq cease fire has allowed a moderate reduction in forces assigned to the Joint Task Force Middle East, our Indian Ocean and other worldwide commitments show no sign of decreasing. Thus far, the Navy has been successful in the very important effort to limit deployment length to a maximum of six months and assure our sailors a minimum of fifty percent time in homeport over the course of a normal operating cycle. This policy, essential to the retention of quality personnel, is possible because the growth of the fleet in the eighties has provided the capability to successfully meet our commitments and give the American sailor more time at home. We must adhere to the commitment of a fully manned, modern Navy to avoid a return to the situation we faced in the 1970's, when we wore out our equipment and people and experienced a tremendous loss of capability to meet national requirements.

In addition to CINCLANTFLT, the Army and Air Force also provide significant forces for the defense of Iceland and the Azores. Particularly important are the USAF F-15 Interceptors and E-3 AWACS permanently stationed in Iceland.

Allied Forces

Within the Allied Command Atlantic, non-U.S. NATO forces provide over forty percent of the destroyers and frigates, nearly one-quarter of the nuclear attack submarines and maritime patrol aircraft, all of the general purpose submarines and the only two ASW carriers. European nations provide virtually all of the mine countermeasures ships and nearly one-half of the reinforcement and resupply shipping. Our NATO allies are absolutely essential to combat the 350 Warsaw Pact Northern and Baltic Fleet submarines and surface combatants that can oppose us. The existence of NATO and the contributions of our European Allies to the common defense allow the U.S. to maintain a smaller Army, Navy and Air Force than would otherwise be prudent. If war were ever to occur with the Soviet Union, U.S. success would be inexorably tied to the substantial contribution made by our Allies.

Operational Deficiencies

Forces: We lack forces in sufficient numbers to execute all wartime tasks simultaneously. With respect to maritime forces:

- Early wartime availability of adequate numbers of Carrier Battle Groups is questionable. Specifically, we need a minimum of four Carrier Battle Groups in the Atlantic;

CINCEUR needs four in the Mediterranean. Currently only six carrier battle groups are available to support the collective requirements for eight. Overall, our wartime naval fleet disposition calls for fifteen deployable Carrier Battle Groups to provide the minimum essential level of capability to CINCPAC, CINCEUR and CINCLANT.

- Within USCINCLANT there is currently a shortfall of about thirty surface combatants to meet Battle Group and Task Force war plan requirements.
- In time of general war, the quality and quantity of MCM assets are inadequate to execute timely port breakout and support for amphibious operations.
- We are unable to fully execute CINCEUR's wartime requirements for amphibious lift.
- Carrier and battleship battle groups, when fully employed, cannot be fully supported with current levels of combat logistics force support ships.

With respect to the USCINCLANT Army component (ARLANT), the Roland air defense capability is being deleted this fiscal year and no substitute is planned. Also, in spite of aggressive cross-leveling and redistribution, combat support and combat service support units have serious shortfalls and lack essential theater stocks and medical equipment.

While some of these basic force shortfalls could be satisfied through reapportionment or reassignment of forces, this would result in inadequate forces for other theaters and warfare tasks.

Sustainability: The logistics sustainability of Atlantic Command forces continues to improve as we receive deliveries of munitions and spare parts from prior year funding. While the Atlantic Fleet is deploying fully ready Battle Groups, there are shortfalls in preferred munitions for the greater number of Battle Groups required in wartime. Shortfalls are primarily in air-to-air and anti-radiation missiles, torpedoes, sonobouys, and weapon handling equipment.

Air Force ordnance sustainability for the Atlantic Command continues to improve, both in level of effort and threat munitions. But, like the Navy, there are still shortfalls in preferred munitions. In spite of reduced funding for replenishment spares over the past few years, Air Force sortie estimates virtually match wartime requirements. This is directly attributable to the full funding provided in FY 85, up to three-year procurement lead times and carry over of existing repairable spares. However, as a result of funding reductions experienced during the past four years, the projected wartime sortie generation capability in the FY 90-94 time frame shows a decline.

Command, Control, Communication, Surveillance, Intelligence and Electronic Warfare: There have been significant improvements in these areas, particularly in the past two years, but deficiencies remain in the following broad categories which are critical for all phases of joint operations (planning through execution):

- Survivable, interoperable, secure anti-jam communications.
- Assimilation and correlation of information.
- Surveillance systems.
- Strategic connectivity.

Operational deficiencies in electronic warfare are centered on delays in getting existing technology and capability fielded in adequate numbers.

Priorities

Personnel Readiness: The CINC's highest priority is for programs that support people -- our most perishable asset. The superb readiness condition of our forces today is in great measure a result of the remarkable dedication and morale of the young men and women in the armed forces. The strong support of the previous

Administration and Congress to provide sufficient pay and benefits to these dedicated young people is in no small measure responsible for their morale and their clear understanding that the American people support and admire their efforts. We thank you for this support and ask your continuing support for adequate pay and the quality of life programs so necessary for the retention of these magnificent young people in uniform.

Fair and competitive levels of military compensation are essential to our ability to recruit and retain skilled, dedicated and productive people. We need to pay our people in uniform wages that are commensurate with what they can earn in the civilian sector. Despite the 4.3 percent pay raise approved for FY 89, we still have a 10.1 percent comparability gap as a result of military pay raises being capped below the average private sector wage increases since 1982. We must maintain a military compensation program that can compete with other employment alternatives. I ask for your support of the 3.6 percent FY 90 pay raise as submitted in the President's Budget.

I also ask your support for the modest end strength increases included therein. For several years Navy end strength was not allowed to increase with force structure growth. In order to fully man the Atlantic Fleet, we have had to draw down on shore establishment manning. Without end strength increases, the sea-shore rotation of our sailors (the majority of whom spend more than 55% of their careers on sea duty) will be adversely impacted.

The most effective tool currently available to achieve Navy end-strength and maintain high experience levels in certain mission critical skills is the Selective Reenlistment Bonus (SRB) program. For example, retention of enlisted supervisors (E4-E9) in nuclear power surface ships improved from 35 percent in FY 82 to 54 percent in FY 87 as a direct result of SRB. However, the best example of the effects of SRB is seen when comparing reenlistment rates for mission critical skills between first quarter FY 87 when there was

SRB, and the first quarter FY 88, when there was no SRB authority.

	FY 87	FY 88	Change
First Term	52.3%	35.5%	-16.8%
Second Term	69.4%	45.8%	-23.6%

As shown, the SRB program results in a direct and significant impact on retention. This program must continue, without disruption, if we are to successfully retain highly skilled and trained individuals.

In our officer corps, both the Air Force and Navy continue to experience a severe exodus of experienced pilots. High pilot losses in certain aviation communities jeopardize combat readiness. In order for the military to remain competitive and to retain critically needed officers, the newly enacted Aviation Continuation Pay (ACP) incentive bonus should continue to receive your support. Similarly, we continue to experience retention problems with nuclear trained naval officers. Although there is still a 20% mid-grade shortage, we anticipate this to be reduced significantly as a result of the recently authorized enhanced nuclear officer incentive pay and the 35 percent increase in submarine pay.

Material Readiness: The outstanding condition of our forces also reflects prior year commitment to funding of spare parts, operational training, depot level maintenance, modernization and facilities maintenance. The funding for these operation and maintenance accounts invariably is the first to be impacted by reductions in defense spending. The full effect of reduced funding in these areas is not reflected immediately in unit readiness. It takes time for ships, aircraft squadrons and battalions to draw down on spare parts stock levels, and for personnel proficiency and equipment reliability to decline. The President's budget attempts to preserve our hard earned readiness gains within the context of overall reductions. Even so, it is a fact that readiness in the Atlantic Command has leveled off and the positive trend of the past few years will likely reverse.

ASW: The CINC's warfighting priority is to maintain our anti-submarine warfare capability in the face of the rapidly improving quality of the Soviet submarine threat. The Soviets are incorporating quieting technology in every new and overhauled submarine, and this has seriously reduced our ability to detect them.

While we are still slightly ahead, the Soviet quieting trend indicates their best may soon equal ours. This technological breakthrough, coupled with a Soviet production rate of about 9 new submarines a year, means that in ten years nearly one-third of the Soviet force -- 100 submarines -- will be equipped with their modern quieting technology. Compare this to our projected 1998 SSN force of about 100, two-thirds of which will be more than 10 years old. Failure to regain our previous margin of submarine technological superiority would place in jeopardy our ability to prevail in a war with the Soviets. The FY 90/91 budget supports a balanced ASW program that includes the necessary investment in ASW research and development and keeps the SSN-21, P-3 Modernization, Surface ASW Improvements, Fixed Distributed System, DDG-51 and torpedo programs on track.

Sustainability: We must continue to address specific sustainability shortfalls that would hinder our ability to conduct operations in a prolonged war. The most serious concerns, all partially funded to meet required inventories, are:

- air-to-air missiles (AMRAAM; PHOENIX)
- anti-radiation missiles (HARM)
- torpedoes (MK 48 ADCAP; MK-50),
- sonobuoys
- other preferred weapons (IIR MAVERICK; SM-2 MR/ER)
- replenishment spares
- POL

- equipment to sustain operations in a chemical warfare environment.

Command, Control, Communications, Surveillance, Intelligence, and Electronic Warfare: These capabilities are required to support every warfare area in times of crisis and hostilities. They are necessary for indications and warning, and must be adequately survivable to perform in an environment of intense electronic jamming and deception. Priority programs are:

- Secure and anti-jam communications (SINCGARS; HAVE QUICK; JTIDS)
- Surveillance upgrades (North Atlantic Defense System; IUSS; ROTHR/OTH-B; AWACS radar improvements)
- Electronic Warfare (Air to Surface ECM upgrades/Combat DF/BGPHES)
- Strategic connectivity (MILSTAR; VLF/LF)

Forces: We must continue modernization of our forces through fielding adequate numbers of new systems each year to maintain our qualitative edge.

Security Assistance: The programs that make up security assistance to Caribbean nations provide us positive leverage an order of magnitude greater than their relatively small dollar investment. Our assistance enables nations to develop indigenous security capability and strengthens ties to the U.S. through equipment and training. Since 1984, the U.S. has invested nearly $750M in Security Assistance to Caribbean Island nations. The impact of continued near zero Economic Support Fund (ESF) and Military Assistance Program (MAP) funding for the Caribbean will be to jeopardize the stability of this neighboring region. After extensive consultation with the US, Caribbean nations acquired the equipment necessary for their basic security needs in the early 1980's. They understood that some of this equipment would require a constant level of maintenance costs in the out years and asked for assurances that these costs would be covered. We gave them those assurances. Abandonment at this juncture will eventually:

- result in erosion of U.S. credibility and confidence.
- lead to degradation of Caribbean security force capability developed since 1984, which will have a negative effect on regional stability.
- hamper the growing contribution Caribbean nations are now making to drug interdiction.

We need your support to restore security assistance programs which underpin Caribbean stability. The 10-12 million dollars needed is a bargain compared to the approximately $1 billion per year in military aid and about $4.5 billion per year in economic support provided by the Soviet Union to the Caribbean's most formidable military power ... Cuba.

Drug Surveillance

We are in the process of undertaking the anti-drug surveillance mission which the Administration and Congress assigned to the Department of Defense in the last Congress. CINCLANT is taking responsibility for drug surveillance operations in the Atlantic area of responsibility. This operation is directed by a flag officer with his staff and headquarters in Key West, Florida. He is in charge of all anti-drug surveillance operations and is responsible for coordination with other agencies and commands involved in surveillance and interdiction. He reports directly to USCINCLANT.

Conclusion

Program changes of the magnitude required to hold the FY 90/91 Budget at zero or negative real growth increase our risks and diminish our ability to deter war with the Soviet Union and to influence events worldwide. Soviet military power, regional conflict and state-supported terrorism will not depart the world scene in the foreseeable future. We must resist the temptation to size the defense budget in isolation of these realities.

The strategy of forward defense remains valid within the projected context of reduced funding and military capability. The inherent flexibility of maritime forces supports this general strategy without diminishing our ability, short of general war, to respond to regional crises.

I support the overall priorities and balance of the FY 90/91 budget. Further reductions or changes to its basic composition, however, could substantially accelerate a decline in current military capability. In the near term, it is important that military pay at least match expected inflation rates. In the long term, a plan to close the civilian pay comparability gap is needed to avoid an exodus of talent from which we would be hard-pressed to recover.

This completes my presentation and I am prepared to answer your questions.

Senator DIXON. I thank you, General Stackpole, for that very fine presentation.

General Moore.

STATEMENT OF MAJ. GEN. ROYAL N. MOORE, JR., U.S. MARINE CORPS, DIRECTOR FOR OPERATIONS (J-3), U.S. PACIFIC COMMAND

General MOORE. Thank you, Mr. Chairman. On behalf of Admiral Hardisty I would like to express my appreciation to this committee for the opportunity to discuss the preparedness of the forces in the Pacific Command.

Our military presence helps maintain regional stability, open lines of communication, and promote free commerce. Moreover, our forward deployed ready, sustainable forces are a deterrent against aggression.

The century of the Pacific is now upon us. As a maritime nation, we seek alliances, friendships, and trade with Pacific nations. Over the years we have succeeded through bilateral treaties, trade agreements and security assistance programs.

In each of these areas our military forces have made a noticeable contribution. We contribute to the security of nations through combined exercises and training. Our fleets help maintain lines of communication. The humanitarian contribution of our soldiers, sailors, airmen, and marines during and after natural disasters has not gone unnoticed by peoples of our region.

I must report, however, that the threat to this peaceful region continues. Our forces have remained virtually constant over recent years. However, the Soviet Union has qualitatively improved their forces replacing older equipment with new, significantly enhancing its capabilities.

While we are encouraged by Mr. Gorbachev's announcement to cut conventional forces, we in the largest United States war fighting command must look at military realities. The Soviets have expanded their sphere of influence to Vietnam where Cam Ranh Bay remains the largest Soviet overseas deployment base.

They have upgraded North Korean capabilities with modern Soviet technology and military hardware. The recent fielding of mobile ICBMs and arming of the bombers with cruise missiles is cause for additional concern. While we believe it is too early to determine Soviet intent, we are convinced the preparedness of our forces was the key factor that made the Soviets move towards reducing worldwide tensions.

The Soviets respect the strength of our forces. In addition to successfully deterring Soviet adventurism, forward deployed U.S. forces in the Pacific provide another important benefit to the United States. The size of the Pacific theater mandates positioning of forces for rapid response to regional instability or humanitarian requirements.

Forward deployed forces give us the ability to react quickly to these contingencies in time to make a difference. Moreover, they underwrite relationships vital to U.S. trade.

Are our forces prepared to fight and win? Emphatically yes. Our readiness is high, the leadership in the field is excellent. Our soldiers, sailors, airmen and marines have demonstrated their ability for joint, combined warfare in exercises such as Team Spirit in Korea, Orient Shield in Japan, and Cobra Gold in Thailand. Our ability to sustain these forces is slowly improving.

Mr. Chairman, I would like to ask this committee's help in maintaining this state of preparedness. Let me highlight a few items which are required to maintain our strength in the Pacific.

First of all, people programs. Today's servicemen and women are the highest quality I have seen in my over 30 years of service. They are intelligent and motivated. We have a sizable investment in their increasingly complex training. To maintain this quality, we need to ensure that they continue to be challenged by modern equipment. They also must receive pay and facilities considerations which reflect not only their significant contributions, but are competitive with the civilian markets which vie for their talents.

Also required are modernization efforts in our major problem areas of antisubmarine warfare, surveillance and intelligence, air warfare with preferred munitions, and strategic lift. We must keep up these efforts to keep ahead of the increasing Soviet threat and capabilities.

In the area of sustainability, increased stockage levels will decrease the risk of protracted conflict.

Our preparedness, expressed as readiness, is a derivative of the quality of our people, the extent to which they are trained, provisioned, equipped, and maintained. Maintaining these in proper balance requires careful coordination of limited budget assets.

In order to maintain readiness, we are falling behind in such areas as real property maintenance, depot level maintenance, and repair of major end items. We are also stretching our procurement of ordnance and limiting the funds for exercises and for training fuels.

On the positive side, however, what we are doing is cause for great optimism. Modern equipment such as the F-18, the F-16 Cs and Ds, Aegis ships, and LCAC are technological leaps in capability and are much easier to maintain.

In the area of sustainability the past 5 years have seen gains in modern munitions, war reserve spares, fuel storage, and strategic airlift and sealift. Through this decade, our investment in replacement spares has greatly improved the supplies on hand. Army units report that half of their procurement is prepositioned while Pacific Fleet, Air Force, and Fleet Marine Forces are almost fully stocked.

The need for constant vigilence in maintaining security in the Pacific requires a force that is both ready and sustainable. With the support of Congress we have diligently moved forward, even in the face of severe fiscal constraints. Protecting these achievements is essential to maintaining peace.

Last month Secretary Cheney announced the latest decisions in the DOD budget process. We in the Pacific Command support his priorities. People, readiness, sustainability, and forward posturing are the way to do business. We have taken some cuts in force structure and deferred some modernization to preserve our deterrents. But altogether we are ready to do our job.

In conclusion, Mr. Chairman, I would like to recognize that the congressional support for our Pacific Command forces is largely responsible for the excellent readiness posture. Our people are motivated, trained, and equipped to provide a credible deterrent and a formidable warfighting force.

We own them our full support, especially in the quality of life area. In the Pacific, the threat remains. But our Pacific allies and friends have great confidence that we will maintain the regional stability that has underwritten economic growth and democratic development. With your continued support, ready, sustainable U.S. military forces will continue to maintain peace in our region.

Sir, I stand ready to answer your questions.

[The prepared statement of General Moore follows:]

STATEMENT OF MAJOR GENERAL ROYAL MOORE
DIRECTOR FOR OPERATIONS, U.S. PACIFIC COMMAND

MR. CHAIRMAN:

I APPRECIATE THE OPPORTUNITY TO BE HERE TODAY TO TALK ABOUT THE PACIFIC COMMAND. WE ALL SHARE AN ABIDING INTEREST IN PRESERVING AMERICA'S VITAL SECURITY STAKE IN THE PACIFIC. OUR MILITARY FORCES IN THE PACIFIC HELP MAINTAIN THE PEACE AND SECURITY OF THE REGION THROUGH THE MAINTENANCE OF A CREDIBLE DETERRENCE POSTURE. THIS DETERRENCE POSTURE IS BASED ON A SOUND STRATEGY OF FORWARD DEPLOYMENT AND HIGH FORCE READINESS. IN THESE UNCERTAIN TIMES WE NEED TO ENSURE THAT OUR MILITARY FORCES IN THE PACIFIC REMAIN READY, SUSTAINABLE AND APPROPRIATELY SIZED TO FULFILL OUR WIDE-RANGING SECURITY RESPONSIBILITIES.

INTRODUCTION

I WOULD LIKE TO FOCUS MY REMARKS ON THE INCREASING IMPORTANCE OF THE PACIFIC, THE THREAT TO PEACE AND STABILITY IN THE AREA, THE U.S. SECURITY POSTURE IN THIS PART OF THE WORLD, THE ROLE OF OUR FRIENDS AND ALLIES, AND CONCLUDE WITH A DISCUSSION OF OUR WARFIGHTING AND PEACETIME STRATEGY CONCERNS AS THEY RELATE TO READINESS AND SUSTAINABILITY.

AS YOU WELL KNOW, THE PACIFIC TODAY IS A DYNAMIC REGION UNDERGOING BROAD CHANGE. ALTHOUGH IT IS STILL A BI-POLAR THEATER DOMINATED BY THE U.S.-USSR MILITARY BALANCE, THE CONTINUED DEVELOPMENT OF REGIONAL AND SUB-REGIONAL POWERS SUCH AS JAPAN, CHINA, INDIA, AND SOUTH KOREA PLUS THE EMERGENCE OF THE SOUTH PACIFIC WITH ITS MANY NEWLY INDEPENDENT NATIONS MAKE THAT BALANCE MORE COMPLEX. THE EXPLOSIVE ECONOMIC GROWTH OF THE PACIFIC HAS

MEANT THAT SOME OF OUR ALLIES AND CLOSE FRIENDS, WHO WERE ONCE ECONOMICALLY DEPENDENT ON US, ARE NOW AMONG OUR MOST VIGOROUS ECONOMIC COMPETITORS. THIS HAS PRODUCED NEW AND DIFFERENT PRESSURES WITHIN OUR ALLIANCE NETWORK.

ALSO, THE MOVE TOWARDS RELAXATION OF TENSIONS BETWEEN WASHINGTON AND MOSCOW HAS CREATED THE PERCEPTION AMONG SOME IN THE REGION THAT THE SOVIET MILITARY CAPABILITY IN THE PACIFIC IS NO LONGER A MATTER OF MAJOR CONCERN. SOME ARE BEGINNING TO QUESTION THE NEED FOR THE SOMETIMES DIFFICULT POLITICAL AND MILITARY EFFORTS SO NECESSARY TO MAINTAIN THE VIGOR OF OUR ALLIANCE FRAMEWORK.

OUR SECURITY STRATEGY IN THIS PART OF THE WORLD HAS, OVERALL, BEEN A SOLID SUCCESS FOR THE LAST FORTY YEARS. WE BELIEVE THE PRINCIPAL TASK CONFRONTING US AT PRESENT IS TO DETERMINE THE NECESSARY ADJUSTMENTS IN OUR STRATEGY TO REFLECT TODAY'S NEW EMERGING REALITIES WITHOUT UNDERMINING A SUCCESSFUL GAME PLAN THAT HAS HELPED TO AVOID WORLD CONFLICT FOR THE LONGEST UNINTERRUPTED PERIOD IN THIS CENTURY.

IMPORTANCE OF THE PACIFIC

THE IMPORTANCE OF THE PACIFIC TO THE U.S. IS INDISPUTABLE. TRADE WITH THE PACIFIC HAS EXCEEDED TRADE WITH THE EUROPEAN ECONOMIC COMMUNITY FOR 17 CONSECUTIVE YEARS. OVER ONE THIRD OF ALL U.S. FOREIGN TRADE IS IN THE PACIFIC COMPARED TO ONLY A FIFTH WITH EUROPE. BY THE YEAR 2000, THE PACIFIC'S GROSS REGIONAL PRODUCT IS EXPECTED TO DOUBLE. ON THE SECURITY SIDE, SEVEN OF OUR TEN MUTUAL DEFENSE TREATIES ARE WITH PACIFIC NATIONS. ADDITIONALLY, SEVEN OF THE WORLD'S TEN LARGEST ARMIES AND OVER 60

PERCENT OF THE WORLD'S POPULATION CAN BE FOUND WITHIN THE PACIFIC AREA. THE U.S. HAS PLAYED A KEY ROLE IN THE DYNAMISM OF THE REGION BY DEVELOPING AND MAINTAINING CLOSE RELATIONSHIPS WITH MANY NATIONS. FORWARD DEPLOYED U.S. FORCES CONTRIBUTE SIGNIFICANTLY TO A REGIONAL STABILITY THAT ALLOWS DEMOCRATIC IDEALS AND ECONOMIC PROSPERITY TO FLOURISH.

THE THREAT

WE WOULD WELCOME A PEACEFUL SOVIET UNION THAT IS PREPARED TO CONTRIBUTE TO THE SECURITY AND DEVELOPMENT OF THE REGION. HOWEVER, AS A WARFIGHTING COMMAND WE MUST DEAL WITH THE REAL WORLD, AND RELY ON DEEDS RATHER THAN RHETORIC. THE SOVIET PACIFIC FLEET IS THE LARGEST OF THE SOVIET FLEETS. MODERNIZATION EFFORTS INCLUDE THE LATEST FIGHTERS, BOMBERS, TANKS, PERSONNEL CARRIERS, AND SELF-PROPELLED ARTILLERY. IN EXCHANGE FOR ACCESS AND BASING RIGHTS IN VIETNAMESE AIR AND SEA PORTS, THE SOVIETS ARE PROVIDING AID ESTIMATED TO BE IN EXCESS OF FIVE MILLION DOLLARS PER DAY. CAM RANH BAY IS THE SOVIETS' LARGEST NAVAL DEPLOYMENT BASE OUTSIDE OF THE USSR. FINALLY, THE SOVIETS CONTINUE TO UPGRADE NORTH KOREAN MILITARY CAPABILITIES WITH A STEADY INFUSION OF MODERN SOVIET TECHNOLOGY AND MILITARY HARDWARE.

IN SPITE OF THE CONTINUED MILITARY GROWTH, WE RECOGNIZE THAT RECENT DEVELOPMENTS SUCH AS THE INF TREATY AND VISITS BETWEEN TOP LEVEL U.S. AND SOVIET CIVILIAN AND MILITARY OFFICIALS POINT TO THE PROSPECT OF A MORE STABLE AND CONSTRUCTIVE DIALOGUE WITH THE SOVIETS. AND CERTAINLY GENERAL SECRETARY GORBACHEV'S DECISION TO CUT SOVIET CONVENTIONAL FORCE LEVELS IS A WELCOME ANNOUNCEMENT. BUT EVEN IF CARRIED OUT, PROMISED SOVIET TROOP CUTS WILL STILL LEAVE A LARGE, MODERN, READY, HIGHLY CAPABLE MILITARY

ESTABLISHMENT THAT BEARS WATCHING.

WE BELIEVE IT IS TOO SOON FOR US TO DETERMINE SOVIET SINCERITY. THERE IS STILL A WIDE GAP BETWEEN GORBACHEV'S RHETORIC AND ACTION. WHILE THERE MAY HAVE BEEN AN ANNOUNCED SHIFT IN THE STRATEGY AND INTEREST OF THE SOVIET UNION, THERE IS NO EVIDENCE THAT SOVIET CAPABILITY HAS DIMINISHED. IN FACT, THEIR PACIFIC LONG RANGE BOMBER FORCE ARMED WITH CRUISE MISSILES CONTINUES TO IMPROVE IN QUANTITY AND CAPABILITY. THEIR SUBMARINE FORCE LIKEWISE HAS MUCH GREATER CAPABILITY. THESE ARE THE FORCES WHICH THREATEN US DIRECTLY. IN SHORT, THE THREAT OF SOVIET PACIFIC FORCES TO THE UNITED STATES AND ITS ALLIES REMAINS HIGH, EVEN IF ALL CURRENT INITIATIVES ARE FULLY CARRIED OUT.

AFTER CLOSE SCRUTINY, WE BELIEVE THE SOVIET MOVE TOWARD REDUCING TENSIONS HAS BEEN BROUGHT ABOUT BY OUR SUCCESSFUL U.S. STRATEGY AND OUR STEADFAST DEDICATION TO AN ADEQUATE SECURITY POSTURE. THE SOVIETS RESPECT STRENGTH AND WILL CONTINUE TO RESPECT IT, REGARDLESS OF THE ULTIMATE OUTCOME OF GORBACHEV'S INITIATIVES.

IN ADDITION TO SUCCESSFULLY DETERRING THE SOVIET THREAT, FORWARD DEPLOYED U.S. FORCES IN THE PACIFIC PROVIDE ANOTHER IMPORTANT BENEFIT FOR THE U.S. THE SIZE OF THE PACIFIC THEATER MANDATES FORCE POSITIONING FOR A RAPID RESPONSE TO REGIONAL INSTABILITY OR HUMANITARIAN REQUIREMENTS. FORWARD DEPLOYED FORCES GIVE US THE ABILITY TO REACT QUICKLY AND SUFFICIENTLY TO THESE CONTINGENCIES -- IN TIME TO MAKE A DIFFERENCE.

MOST, IF NOT ALL, OF OUR FRIENDS AND ALLIES IN THE REGION SEE THE U.S. PRESENCE AS A STABILIZING INFLUENCE AFFECTING ALL THE REGIONAL AND SUB-REGIONAL FRICTIONS AND RIVALRIES. EVEN EXCLUSIVE OF THE SOVIET THREAT, U.S. PACIFIC SECURITY POSTURE

FOSTERS AND MAINTAINS THE POLITICAL AND ECONOMIC CLIMATE THAT WILL BE VITAL AS A FOUNDATION FOR STABILITY AND GROWTH IN THE REGION. A CONTINUED STRONG SECURITY POSTURE IN THE PACIFIC DOES MUCH TO PRESERVE U.S. INFLUENCE, ACCESS, AND LEVERAGE, ALL NECESSARY INGREDIENTS TO MAINTAINING TRADE RELATIONSHIPS VITAL TO EXPANDING U.S. FOREIGN EXPORTS TO THE REGION.

THIS IS NOT THE TIME FOR THE U.S. TO ABANDON OUR STRATEGY OF FORWARD DEPLOYED FORCES AND REDUCE OUR PRESENCE IN THE PACIFIC. REALITIES DEMAND THAT WE MUST HAVE A VIABLE, PEACETIME STRATEGY TO COUNTER SOVIET ECONOMIC AND DIPLOMATIC MOVES IN THE PACIFIC, WHILE AT THE SAME TIME SUBSTANTIALLY CONTRIBUTING TO THE REGIONAL STABILITY BASIC TO U.S. ECONOMIC AND POLITICAL INTERESTS.

U.S. SECURITY POSTURE

THE USCINCPAC PEACETIME STRATEGY SEEKS TO STRENGTHEN OUR ALLIANCES, EXPAND U.S. INFLUENCE, AND AID IN NATION BUILDING, THEREBY ENHANCING OUR MILITARY PREPAREDNESS. OUR MILITARY PRESENCE PROVIDES AN OPPORTUNITY TO USE OUR RESOURCES IN WAYS THAT PRESERVE U.S. INFLUENCE AND PROTECT U.S. ACCESS TO THE REGION. WE STRIVE TO BUILD FRIENDSHIPS THROUGH SUCH PROGRAMS AS COMBINED TRAINING EXERCISES, HUMANITARIAN CIVIC ACTION, AND DISASTER RELIEF. IN RETURN, WE BUILD AN APPRECIATION FOR THE ROLE OF U.S. FORCES IN PROVIDING SECURITY AND STABILITY, BUILD CONFIDENCE IN OUR HOST NATIONS, AND ENCOURAGE THEM TO BUILD COMPLEMENTARY FORCES TO SUPPORT COMMON SECURITY INTERESTS. THIS APPROACH, AMONG OTHER BENEFITS, SHOULD LEAD TO THEIR SUPPORT OF THE U.S. IN CONTINGENCY AND CRISIS SITUATIONS. BUT, MORE IMPORTANT TO U.S. NATIONAL SECURITY IS THE EXCELLENT FORWARD POSTURE THAT THE PEACETIME STRATEGY AFFORDS US. SHOULD OUR

OVERALL MILITARY STRATEGY OF DETERRENCE FAIL, THE FORWARD POSITIONS OUR MILITARY FORCES OCCUPY IN PEACETIME PLACE US IN AN EXCELLENT POSTURE FROM WHICH TO TRANSITION TO COMBAT. THEREFORE, THE PEACETIME STRATEGY SERVES TWO PURPOSES: TO BUILD CONFIDENCE, INFLUENCE AND ACCESS WITH OUR FRIENDS AND ALLIES IN THE REGION WHILE SIMULTANEOUSLY, AS A RISK REDUCTION MEASURE, PROVIDING A FAVORABLE MILITARY POSTURE THAT SERVES AS A START POINT TO EXECUTE OUR WARFIGHTING STRATEGY.

TURNING NOW TO THE PACIFIC COMMAND'S WARFIGHTING STRATEGY, OUR EFFORTS CONTINUE TO FOCUS ON THE DETERRENT VALUE AND CREDIBILITY OF POSTURING FORWARD EARLY ON, THEREBY SENDING THE RIGHT SIGNALS TO THE SOVIETS AND OUR ALLIES DURING PERIODS OF TENSION, CRISIS, AND POTENTIAL CONFLICT. SUCH MOVES DEMONSTRATE RESOLVE TO PUT THE SOVIET FORCES AT RISK AND TO MAINTAIN PEACE AND SUPPORT FOR NATIONS IN THE REGION, HOPEFULLY DETERRING ANY CONTEMPLATED HOSTILITIES. HOWEVER, SHOULD HOSTILITIES COMMENCE, OUR U.S. MILITARY FORCES ARE ALREADY OPTIMALLY POSITIONED TO FIGHT.

MY JUDGMENT ON OUR FORCE READINESS IS BASED ON THE EXTENT TO WHICH WE ARE TRAINED AND EQUIPPED TO CARRY OUT OUR ASSIGNED MISSIONS. USPACOM FORCES ARE, WITHOUT QUESTION, PREPARED TO FIGHT AND WIN. STATISTICALLY, OUR UNIT COMMANDERS ARE REPORTING HIGH LEVELS OF READINESS, OUR LEADERSHIP IN THE FIELD HAS NEVER BEEN BETTER, AND THE QUALITY OF OUR PEOPLE IS THE BEST I'VE EVER SEEN. MY JUDGMENT IS ALSO BASED ON OBSERVATIONS DURING PACIFIC COMMAND EXERCISES. YEAR AFTER YEAR, U.S. PACIFIC COMMAND SOLDIERS, SAILORS, AIRMEN, AND MARINES HAVE, DURING EXERCISES, SHOWCASED THEIR ABILITIES TO FIGHT JOINTLY, AS WELL AS WITH THE COMBINED FORCES OF ALLIED NATIONS. EXERCISES SUCH AS TEAM SPIRIT IN KOREA, ORIENT SHIELD IN JAPAN, AND COBRA GOLD IN THAILAND GIVE

ME CONFIDENCE IN OUR ABILITY TO COMMAND AND CONTROL OUR FORCES AND FIGHT IN A COMBINED MANNER, WHILE AT THE SAME TIME EMPHASIZING OUR RESOLVE AND ABILITY TO FULFILL OUR TREATY COMMITMENTS TO OUR PACIFIC ALLIES.

ROLE OF OUR ALLIES AND FRIENDS

OUR MISSION TO MAINTAIN PEACE INVOLVES A CAPABILITY AND NATIONAL WILL TO ENGAGE IN WAR. BUT, U.S. FORCES CANNOT GO IT ALONE. REGIONAL SECURITY IS A TEAM EFFORT, AND ANY TEAM EFFORT REQUIRES FREQUENT ASSESSMENT OF MUTUAL CONCERNS AND CHALLENGES. THAT ASSESSMENT IS ONGOING. WE ARE FORTUNATE TO HAVE IN PLACE AN ALLIANCE NETWORK WHICH FOR MORE THAN 40 YEARS HAS SERVED AS THE ULTIMATE GUARANTOR OF STABILITY. THE LIST OF IMPORTANT ALLIES AND FRIENDS IS LONG. IN THE INTEREST OF TIME HOWEVER, LET ME DISCUSS JUST A FEW AS A LEAD-IN TO OUR FOCUS ON READINESS AND SUSTAINABILITY.

JAPAN:

THE U.S. SECURITY RELATIONSHIP WITH JAPAN IS THE LINCHPIN OF OUR PACIFIC STRATEGY. THE JAPANESE ARE WELL ON THEIR WAY TOWARD A SELF-DEFENSE FORCE CAPABLE OF MEETING THEIR COMMITMENT TO DEFEND THE SEA LANES OUT TO 1000 MILES. AIRBORNE EARLY WARNING, HIGH PERFORMANCE INTERCEPTORS, SEABORNE AIR DEFENSE AND ANTI-SUBMARINE PLATFORMS ARE THE PREREQUISITES, AND ALL ARE BEING ACCOMMODATED AND UPGRADED IN JAPANESE DEFENSE PLANS AND PROGRAMS.

HOWEVER, EVEN AFTER ACHIEVING THEIR SELF-DEFENSE GOALS, JAPAN WILL BE CONFRONTED BY POWERFUL ELEMENTS OF THE SOVIET FAR EAST MILITARY FORCES, WHICH OPERATE LITERALLY IN JAPAN'S BACK

YARD. JAPANESE FORCES ARE GOOD, BUT THEY FACE THE MORE NUMEROUS AND MORE POWERFUL SOVIETS. IN JAPAN, THE U.S. MAINTAINS A SIZEABLE FORCE OF FIVE FIGHTER SQUADRONS, NAVAL ELEMENTS OF THE SEVENTH FLEET, AND A MARINE EXPEDITIONARY FORCE, WHICH INCLUDES ORGANIC AIR ASSETS IN THE FORM OF A MARINE AIR WING. ALL OF THESE FORCES ARE A PART OF THE U.S. FORWARD DEFENSE STRATEGY AND SERVE THE MUTUAL SECURITY INTERESTS OF BOTH COUNTRIES AND THE REGION.

ALTHOUGH OUR MILITARY-TO-MILITARY RELATIONS ARE EXCELLENT, THERE IS SOME EXPRESSION OF ANXIETY OVER U.S. PRESENCE. THERE IS AN AWARENESS OF LIMITED REAL ESTATE FOR EXPANSION OF THE JAPANESE ECONOMY AND THEREFORE SENSITIVITY TO THE PRESENCE OF U.S. FORCES, THE LAND THEY OCCUPY, AND THE AIR/LAND/SEA SPACE THEY TRAIN IN. IN SPITE OF THIS CONCERN, WE MUST KEEP IN PERSPECTIVE THE IMPORTANCE OF FORWARD DEPLOYMENT IN THE CRITICAL NORTHEAST ASIA REGION.

IN DEFENSE SPENDING, THE JAPANESE HAVE DONE MUCH, BUT WE BELIEVE THEY CAN AND SHOULD DO MORE. WE ARE LOOKING FOR INNOVATIVE WAYS TO IMPROVE COST SHARING. WE'RE FURTHER EXPLORING MAJOR JAPANESE CONTRIBUTIONS TO ASSIST ECONOMIC DEVELOPMENT AND STABILITY AROUND THE PACIFIC. OUR APPROACH MUST BE MEASURED AND COMPREHENSIVE; AND WE NEED TO WORK CLOSELY WITH THEIR OFFICIALS TO KEEP THE MOMENTUM GOING.

SOUTH KOREA:

THE ECONOMIC STRENGTH OF KOREA AND ITS IMPROVED DEFENSE POSTURE IS AN IMPORTANT REGIONAL DEVELOPMENT. BUT IN SPITE OF SOME ENCOURAGING EFFORTS CONCERNING NORTH-SOUTH TALKS, THE SECURITY SITUATION REMAINS UNCERTAIN.

IN CONCERT WITH OUR ROK ALLIES, WE ARE EXAMINING WAYS THE SOUTH KOREANS CAN ASSUME EVEN GREATER RESPONSIBILITY FOR THEIR OWN DEFENSE. BUT THE THREAT HAS NOT DIMINISHED. OUR FORCE PRESENCE WILL CONTINUE TO BE REQUIRED AS A PROVEN DETERRENT TO NORTH KOREAN ADVENTURISM. WE SHOULD NOT CONSIDER REDUCTION OF THIS PRESENCE UNTIL SUCH TIME AS WE SEE VISIBLE AND MEASURABLE TENSION REDUCTIONS AND A DIMINISHED THREAT. VOICES OF ANTI-AMERICANISM NOTWITHSTANDING, THIS POSITION IS SUPPORTED BY MOST OF OUR KOREAN FRIENDS.

WHILE SOUTH KOREA IS CONTRIBUTING TO THE COST OF MAINTAINING OUR FORCES ON THE PENINSULA, WE ARE EXAMINING WAYS FOR THEM TO INCREASE THEIR CONTRIBUTIONS. THESE INITIATIVES INCLUDE AIRCRAFT MAINTENANCE, CONSTRUCTION, LABOR COST SHARING AND MEASURES TO ENHANCE INTEROPERABILITY.

PHILIPPINES:

WE ARE CAUTIOUSLY OPTIMISTIC THAT THE GOVERNMENTS OF THE PHILIPPINES AND THE U.S. WILL SEE IT IN THEIR MUTUAL BEST INTERESTS FOR U.S. MILITARY PRESENCE TO CONTINUE IN THE PHILIPPINES BEYOND 1991. AT THE SAME TIME, WE RECOGNIZE THAT WE WILL FACE SIGNIFICANT HURDLES WITH THE PHILIPPINES ON ISSUES SUCH AS ASSISTANCE LEVELS, CRIMINAL JURISDICTION, AND UNHAMPERED MILITARY OPERATIONS. NEVERTHELESS, WE BELIEVE THE AS YET UNSCHEDULED NEGOTIATIONS STAND A STRONG CHANCE OF SUCCEEDING BECAUSE OF THE IMPORTANCE OF THE PHILIPPINES/U.S. RELATIONSHIP TO BOTH COUNTRIES AND TO ASIA AS A WHOLE.

OFTEN UNSAID IS THAT THE U.S. FACILITIES ARE EQUALLY AS IMPORTANT TO THE PEACE AND STABILITY OF THE ENTIRE PACIFIC BASIN. AS PARTNERS IN FORWARD POSITIONING OF U.S. FORCES, THE

PHILIPPINES PLAY A MAJOR ROLE IN PROMOTING REGIONAL BALANCE AND MUTUAL SECURITY.

IN THE EVENT OF A FAILURE TO REACH AGREEMENT FOR CONTINUING ACCESS TO THE PHILIPPINE BASES THERE ARE ALTERNATIVES, BUT RELOCATION WOULD BE EXPENSIVE, TAKE YEARS TO COMPLETE, AND WOULD NOT NECESSARILY PROVIDE THE SAME GEOSTRATEGIC ADVANTAGES WE NOW ENJOY.

AUSTRALIA:

OUR ALLIANCE RELATIONSHIP WITH AUSTRALIA IS VERY CLOSE AND WILL REMAIN AN EQUAL PARTNERSHIP BASED ON SHARED GOALS AND INTERESTS. THE AUSTRALIAN GOVERNMENT REMAINS COMMITTED TO DETERRENCE AND ARMS CONTROL BY PARTICIPATION IN JOINT FACILITIES AND THE GRANTING OF ACCESS FOR U.S. SHIPS AND AIRCRAFT. AUSTRALIA AND OUR BILATERAL RELATIONSHIP UNDER THE ANZUS TREATY REMAIN A CORNERSTONE OF STABILITY AND PEACE IN THE SOUTH PACIFIC AND SOUTHEAST ASIA.

CHINA:

CONTINUING ON A PATH OF ECONOMIC AND MILITARY MODERNIZATION, CHINA IS A KEY PARTICIPANT IN MANY ASIAN EQUATIONS. THE SINO-SOVIET SUMMIT COULD REDUCE BORDER TENSIONS; CHINA IS A CONSIDERATION IN ANY U.S. NORTHEAST ASIA STRATEGY; TENSIONS WITH TAIWAN APPEAR TO BE EASING; CHINA HAS DEMONSTRATED FORCE PROJECTION RESOLVE IN ADVANCING ITS CLAIM IN THE SPRATLY ISLANDS; CHINA WILL PLAY AN IMPORTANT ROLE IN THE CESSATION OF HOSTILITIES IN CAMBODIA, AND, CHINA-INDIA TALKS ARE ALSO AN ENCOURAGING SIGN.

WE BELIEVE THAT CHINA WILL CONTINUE TO LOOK TO THE WEST FOR THE TECHNOLOGY AND EXPERTISE IT NEEDS. AS FUNDAMENTAL TO OUR

POLICY IN ASIA, THE U.S. SHOULD CONTINUE A RELATIONSHIP WITH CHINA THAT, ON THE ONE HAND, OFFERS CLEAR MUTUAL BENEFITS FOR ITS CONTINUED PEACEFUL DEVELOPMENT, AND, ON THE OTHER HAND, ENCOURAGES CHINA TO STEER A COURSE WHICH PROMOTES STABILITY THROUGHOUT THE REGION.

INDIA:

WHILE THE SOVIETS CONTINUE AS ITS MAJOR ARMS SUPPLIER, INDIA IS A DEMOCRATIC, NON-ALIGNED COUNTRY WITH INTEREST IN A SUCCESSFUL RELATIONSHIP WITH THE WEST. WHILE THERE IS A MUTUAL BENEFIT IN MORE EXTENSIVE AND GENERALLY IMPROVED MILITARY-TO-MILITARY RELATIONS BETWEEN THE U.S. AND INDIA, SUCH AN IMPROVEMENT SHOULD NOT CAUSE CONCERN AMONG OUR OTHER FRIENDS IN THE REGION. THE U.S. GOVERNMENT IS EXPANDING DEFENSE CONTACTS WITH INDIA TO ENHANCE PROSPECTS FOR MUTUAL COOPERATION.

WHAT WE NEED

AS DISCUSSED IN THIS STATEMENT, WE HAVE A DYNAMIC PEACETIME STRATEGY THAT MAINTAINS A SECURITY UMBRELLA UNDER WHICH DEMOCRACIES CAN FLOURISH, ECONOMIES CAN PROSPER AND HUMAN RIGHTS CAN IMPROVE. THE KEY IS SUSTAINED INFLUENCE AND ACCESS THROUGH MULTIPLE BILATERAL ASSOCIATIONS. A SECURITY ASSISTANCE PROGRAM WITH ADEQUATE FUNDING LEVELS AND FLEXIBILITY THROUGH REDUCED EARMARKING HAS THE POTENTIAL TO ACCRUE IMPORTANT DIVIDENDS IN RELATION TO LEVELS OF EXPENDITURES. SIMILARLY, COOPERATIVE PROGRAMS, INVESTMENTS IN COMBINED EXERCISES, ALONG WITH HUMANITARIAN AND CIVIC ASSISTANCE UNDER TITLE 10 HAVE GENERATED IMPRESSIVE POLITICAL-MILITARY BENEFITS. CONTINUED CONGRESSIONAL ATTENTION TO THESE PROGRAMS IS ESSENTIAL.

OUR OVERALL PRIORITIES CONTINUE TO BE PEOPLE PROGRAMS, FORWARD STRATEGY, READINESS, AND SUSTAINABILITY. AS WE LOOK TO THE FUTURE TO MODERNIZE AND KEEP PACE WITH SOVIET CAPABILITIES, OUR TOP BUDGET PRIORITIES ARE (1) ANTISUBMARINE WARFARE -- PROTECTION OF OUR LINES OF COMMUNICATIONS IS VITAL; (2) SURVEILLANCE AND INTELLIGENCE -- CONSIDERING THE VAST SIZE OF OUR AREA OF RESPONSIBILITY, IT IS ESSENTIAL THAT CURRENT COMMAND AND CONTROL ENHANCEMENTS AND EARLY WARNING PROGRAMS SUCH AS OVER-THE-HORIZON RADARS REMAIN ON TRACK. THESE PROGRAMS PROVIDE US WITH THE VITAL CAPABILITY TO ASSESS INTENTIONS EARLY AND IMMEDIATELY BEGIN TO POSITION FORCES; (3) AIR WARFARE -- IMPROVED LONG RANGE INTERCEPT WITH MODERN THREAT MUNITION CAPABILITY IS NECESSARY TO ENSURE VICTORY. WE MUST PROTECT OUR BUYS OF PREFERRED MUNITIONS, AT LEAST UNTIL WE MEET THE BASIC REQUIREMENTS; (4) STRATEGIC LIFT -- CARRYING THE FIGHT TO THE ENEMY ON OUR TERMS CANNOT BE ACCOMPLISHED SATISFACTORILY WITHOUT ATTENTION TO THIS AREA. WITHOUT MOBILITY THAT IS READY AND TIMELY IN ITS EXECUTION, WE CANNOT REINFORCE NOR RESUPPLY. CURRENT PROGRAMS SUCH AS THE FUNDING OF THE AIRLIFT/SEALIFT OPERATING ACCOUNT AND THE C-17 BUY ARE ESSENTIAL; (5) AND FINALLY, SUSTAINABILITY -- WE MUST CONTINUE TO INCREASE STOCKAGE LEVELS AND THEREBY DECREASE THE RISK OF DEFEAT FROM A PROTRACTED CONFLICT. YOUR SUPPORT OF THESE IMPORTANT ONGOING PROGRAMS THROUGHOUT THE BUDGET PROCESS WILL ENSURE AN ADEQUATE, WELL POSTURED, DETERRENT FORCE.

WHILE I AM HEARTENED BY THE PRESENT EXCELLENT STATE OF READINESS IN THE PACIFIC COMMAND, I RECOGNIZE THE TASK OF MAINTAINING IT AT ITS PRESENT LEVEL WILL BE A DIFFICULT ONE. FOR EXAMPLE, WITH INTERNAL ADJUSTMENTS, THE FY89 BUDGET HAS PROVIDED US WITH THE MINIMUM FUNDING TO MAINTAIN OUR STATUS QUO IN READINESS. I EXPECT SOME CONTINUED BELT TIGHTENING TO BE NECESSARY, BUT WE CAN ONLY GO SO FAR. READINESS IS MEASURED IN FOUR BASIC CATEGORIES: THE QUALITY PEOPLE WHO ARE THE FOUNDATION, AND THE EXTENT TO WHICH THEY ARE PROVISIONED, EQUIPPED, AND TRAINED. UNIT COMMANDERS ASSIGN EACH OF THESE CATEGORIES A NUMERICAL VALUE TO OBTAIN A TOTAL UNIT READINESS PICTURE. WHEN VIEWED IN THESE TERMS, USPACOM FORCES SHOW VERY HIGH RATINGS. WE ARE DOING WELL IN THE MEASURED CATEGORIES OF READINESS, HOWEVER, OTHER AREAS SUCH AS REAL PROPERTY MAINTENANCE ARE FALLING BEHIND. WE MUST TAKE CARE NOT TO DEFER MAINTENANCE OF OUR FACILITIES TO THE EXTENT THAT SERIOUS, LONG TERM PROBLEMS DEVELOP. HIGHLY MOTIVATED PEOPLE NEED ADEQUATE PAY, STATE-OF-THE-ART EQUIPMENT, AND MODERN, SAFE, PROPERLY MAINTAINED FACILITIES IN WHICH TO WORK. THE RESULT IS HIGH MORALE AND QUALITY PERFORMANCE.

ON THE POSITIVE SIDE, HOWEVER, WE ARE BENEFITING FROM INTEGRATION OF MODERN, EASIER-TO-MAINTAIN EQUIPMENT INTO OUR FORCES. AIR FORCE FIGHTER SQUADRONS HAVE COMPLETED CONVERSION TO THE F-16 C AND D FIGHTING FALCON, WHILE MARINE CORPS AVIATION UNITS ARE PROGRESSING RAPIDLY IN THEIR CONVERSION TO THE F/A-18 HORNET. GROWING NUMBERS OF AEGIS SHIPS ARE JOINING THE PACIFIC FLEET AND WITHIN THE PAST YEAR WE FORWARD DEPLOYED OUR FIRST AEGIS CRUISER TO YOKOSUKA, JAPAN. OUR AMPHIBIOUS CAPABILITY HAS BEEN BOLSTERED BY THE INTRODUCTION OF NINE LCAC'S, NOW MAKING THEIR FOURTH EXTENDED DEPLOYMENT. WE ARE ALSO ON TRACK WITH MODERNIZING OUR ARMY INFANTRY DIVISIONS TO THE ARMY OF EXCELLENCE CONFIGURATIONS. ON BALANCE, THE READINESS PICTURE IS EXCELLENT, BUT THERE ARE SOME TRENDS I SEE THAT ARE CAUSE FOR CONCERN. FUTURE READINESS MAY BE REDUCED BY ACTIONS ALREADY TAKEN TO STRETCH OUT SHIP OVERHAULS AND DEPOT LEVEL AIRCRAFT MAINTENANCE, TO LIMIT FUNDS FOR EXERCISES AND TRAINING FUEL, TO STRETCH PROCUREMENT OF ORDNANCE, INCLUDING TRAINING MUNITIONS, AND TO PUT OFF MAINTENANCE OF MILITARY BASE INFRASTRUCTURE IN ORDER TO FUND OUR MORE VISIBLE OPERATIONS ACCOUNTS.

LAST MONTH, SECRETARY CHENEY ANNOUNCED TO THE CONGRESS THE RESULTS OF THE LATEST DOD BUDGET DECISIONS. ADMIRAL HARDISTY, THE COMMANDER IN CHIEF OF THE PACIFIC COMMAND, PLAYED A MAJOR ROLE IN THE DISCUSSIONS LEADING UP TO THOSE DECISIONS. READINESS WAS PROTECTED. THIS IS GOOD. WE NEED TO HAVE A STRONG FORCE FORWARD DEPLOYED. IT MAY BE SMALLER IN NUMBERS, BUT IT WILL HAVE THE MUSCLE TO RESPOND IF NEEDED. WE ARE DEALING IN A RAPIDLY CHANGING WORLD THAT MAY WELL REQUIRE A RAPID RESPONSE. FOR THIS REASON WE SHOULD RESIST MOVING LARGE PORTIONS OF OUR FIGHTING FORCES OUT OF THE FORWARD POSITIONS FROM WHICH THEY CAN BEST DEFEND OUR NATIONAL INTERESTS.

TURNING TO SUSTAINABILITY, PROGRESS IS BEING MADE ALTHOUGH WE HAVE CONCERNS, ESPECIALLY WITH THE FORECAST OF MAJOR REDUCTIONS IN SPENDING YET TO COME. GIVEN THE UNIQUE MARITIME NATURE OF THE PACIFIC THEATER, WE ARE CONCERNED WITH AVAILABILITY OF PREPOSITIONED WAR RESERVE STOCKS AND LIMITED INDUSTRIAL SURGE PRODUCTION CAPABILITY.

IN THE PAST FIVE YEARS THE PACIFIC HAS SEEN GAINS IN MODERN MUNITIONS, WAR RESERVE SPARES, POL STORAGE, AND STRATEGIC LIFT, BOTH AIR AND SEA. AT THE SAME TIME, THESE ARE THE AREAS THAT STILL REQUIRE ATTENTION. SHORTAGES EXIST IN THE CASE OF SOME OF THE THREAT MUNITIONS AND PROBLEMS REMAIN IN THE CASE OF INCORRECTLY POSITIONED BULK POL.

BECAUSE FORMER BUDGETS SUPPORTED INCREASES IN THREAT MUNITIONS, OUR PROJECTIONS INDICATE THAT THE AVERAGE FILL RATE FOR ALL THREAT MUNITIONS, SUCH AS HARM, HARPOON AND PHOENIX MISSILES WILL INCREASE FROM 17 PERCENT FILL IN FY88 TO 53 PERCENT OF OUR OVERALL OBJECTIVE BY 1991. MAVERICK, THE IMPROVED 2000 POUND BOMB, 155MM DUAL PURPOSE IMPROVED CONVENTIONAL MUNITIONS, AND OTHER PREFERRED LEVEL OF EFFORT MUNITIONS ARE PROJECTED TO INCREASE FROM 20 TO 40 PERCENT OF THE REQUIRED OBJECTIVE DURING THE SAME PERIOD.

SINCE 1980, WE HAVE MADE A STEADY DOLLAR INVESTMENT IN THE AREA OF REPLACEMENT SPARES. THE RESULT HAS BEEN A QUANTITATIVE IMPROVEMENT IN THE SUPPLY ON HAND. PACIFIC FLEET SPARES HAVE ACHIEVED THE GOAL WHILE THE FLEET MARINE FORCE, PACIFIC SPARES ARE ALMOST THERE. ARMY UNITS IN THE THEATER REPORT THAT HALF OF THE REQUIREMENT IS PREPOSITIONED. THE PACIFIC AIR FORCES HAVE 92 PERCENT OF THE AIR FORCE MANDATED THEATER STOCK REQUIREMENT ON HAND. OUR PROJECTION IS THAT THE FY 90/91 BUDGET WILL PREVENT FUTURE IMPROVEMENT IN OUR SUSTAINABILITY POSTURE. AND AS MODERN EQUIPMENT IS FIELDED FOR WHICH THE FULL RANGE AND DEPTH OF SPARE PARTS IS NOT FUNDED, SUSTAINABILITY PROBLEMS WILL INCREASE.

MAINTAINING OUR EQUIPMENT IS FUNDAMENTAL TO A HIGH STATE OF READINESS. MAINTENANCE FUNDING PROFILES WILL REQUIRE THE DEFERRAL OF SURFACE SHIP AND SUBMARINE AVAILABILITIES, LIMIT MAINTENANCE PACKAGES TO ONLY ESSENTIAL REPAIRS, AND REQUIRE US TO PARK AIRCRAFT AND COMBAT VEHICLES FOR LACK OF REPAIR.

OUR BULK PETROLEUM RESERVES IN USPACOM HAVE INCREASED BY 5.4 MILLION BARRELS IN THE LAST FIVE YEARS. PREPOSITIONING OF ON-HAND STOCKS HAVE IMPROVED WITH THE LEASING OF STORAGE TANKS IN JAPAN, OKINAWA, SINGAPORE, AND GUAM; CONSTRUCTION OF TANKS IN KOREA, GUAM, AND OKINAWA; AND PROGRAMMED CONSTRUCTION ON ADAK. THESE IMPROVEMENTS HAVE INCREASED OUR ABILITY TO PROVIDE FUEL WHEN AND WHERE WE NEED IT. FURTHER GAINS IN SOLVING OUR INCORRECTLY POSITIONED POL PROBLEM ARE POSSIBLE WITH THE LEASE ACQUISITION OF MORE STORAGE IN THE ALEUTIANS/ALASKA.

IN ORDER TO DEPLOY RAPIDLY AS WELL AS SUSTAIN OUR FORCES ADEQUATELY, WE MUST CONTINUE TO SEEK IMPROVEMENT OF OUR STRATEGIC LIFT CAPABILITY. WE ARE CLOSING IN ON THE 66 MILLION-TON-MILE PER DAY (MTM/D) WORLDWIDE AIRLIFT GOAL FOR FY98. THE STRATEGIC AIRLIFT TOTAL WORLDWIDE CAPABILITY FOR FY89 IS 47 MTM/D. TOTAL AIRLIFT CAPABILITY INCREASES TO 50.5 MTM/D IN FY92 AND WILL REACH 97 PERCENT OF TOTAL GOAL BY FY98. THESE AND FUTURE GAINS IN OUR STRATEGIC LIFT CAPABILITIES ARE TIED TO THE C-17 PROGRAM, WHICH HAS BEEN PROTECTED IN THE REVISED BUDGET REQUEST. THE TREND IS POSITIVE.

OUR LONG TERM SEALIFT GOAL IS TO ATTAIN A ONE MILLION SHORT TON U. S. CONTROLLED SURGE LIFT CAPABILITY FOR UNIT EQUIPMENT SO THAT WE CAN QUICKLY DEPLOY AND SUSTAIN OUR FORCES. THE CURRENT UNIT EQUIPMENT CAPABILITY IS GREATER THAN 800,000 SHORT TONS. MARKET FORCES HAVE DRAMATICALLY CHANGED THE COMPOSITION OF THE DECLINING U. S. MERCHANT FLEET FROM BREAKBULK TO THE MORE COMMERCIALLY VIABLE, BUT LESS MILITARILY USEFUL, CONTAINER SHIPS. AS A RESULT, THE DEPARTMENT OF DEFENSE HAS DEVELOPED A SEALIFT ENHANCEMENT PROGRAM WHICH INCLUDES HARDWARE TO MODIFY CONTAINER SHIPS TEMPORARILY SO THEY CAN CARRY UNIT EQUIPMENT. IN SPITE OF THE ENHANCEMENT PROGRAM, THE OVERALL TREND IS NEGATIVE DUE TO THE DEPTH OF THE DECLINE IN AVAILABLE, MILITARILY-USEFUL SHIPPING AND THE ASSOCIATED SUPPORT INFRASTRUCTURE. WE NEED TO PRESS FOR AN EARLY IMPLEMENTATION OF A NATIONAL SEALIFT POLICY.

THE FY90/91 MILCON PROGRAM REQUESTED FOR USPACOM IS THE SMALLEST SINCE 1982. THIS CONSTRAINED REQUEST REFLECTS THE REALITIES OF A TIGHTER DEFENSE BUDGET. OUR FY90 MILCON BALANCES WARFIGHTING PROJECTS WITH QUALITY OF LIFE FACILITIES. PROJECTS SUCH AS THE RELOCATABLE OVER-THE-HORIZON RADAR IN GUAM AND THE GENERAL PURPOSE BERTHING WHARF IN HAWAII ARE KEY FACILITIES THAT

WILL ENHANCE OUR WARFIGHTING CAPABILITY.

WE ARE STILL EVALUATING THE EFFECT ON THE PACIFIC COMMAND OF THE REVISED FY 90/91 BUDGET REQUEST. GREAT CARE WAS TAKEN TO PROTECT OUR NUMBER ONE PRIORITY, PEOPLE PROGRAMS. WE ARE ENCOURAGED BY THE RETENTION OF THE 3.6 PERCENT PAY RAISE IN FY90 AND THE 3.2 PERCENT PAY RAISE IN FY91, WHICH WILL HELP MAINTAIN OUR QUALITY FORCE. WE WILL FACE SOME REDUCTIONS IN OPERATIONS AND MAINTENANCE ACCOUNTS THAT WILL MEAN FURTHER GROWTH IN THE BACKLOG OF REAL PROPERTY MAINTENANCE AND REDUCTIONS IN BASE OPERATING SUPPORT SERVICES. HOWEVER, OF GREAT SIGNIFICANCE TO US, OUR FLYING HOURS PER MONTH FOR ALL SERVICE COMPONENTS ARE SUSTAINED AT THE FY89 CONGRESSIONALLY ENACTED LEVELS, AS ARE NAVY STEAMING DAYS PER QUARTER. BECAUSE THE FY90 MILITARY CONSTRUCTION PROGRAM WILL RESULT IN NEGATIVE REAL GROWTH, WE EXPECT TO SEE REDUCTIONS IN OUR THEATER. THE GOOD NEWS IS IN FAMILY HOUSING, WHERE VIRTUALLY NO REDUCTIONS WERE MADE TO THE OPERATION PORTIONS OF THOSE ACCOUNTS.

THE NEED FOR CONSTANT VIGILANCE IN MAINTAINING OUR SECURITY POSTURE REQUIRES A FORCE THAT IS WELL-TRAINED AND WELL-EQUIPPED. OUR NATIONAL INTERESTS WILL BE BETTER SERVED IF WE INSIST ON PROTECTING OUR HARD-EARNED READINESS AND SUSTAINABILITY LEVELS. IT HAS TAKEN A GREAT DEAL OF DILIGENCE AND EFFORT ON THE PART OF MANY TO ACHIEVE THE SECURITY POSTURE WE NOW ENJOY. PROTECTING THAT ACHIEVEMENT, WHILE MODERNIZING TO MEET EVOLVING THREATS, IS ESSENTIAL.

CONCLUSION

THANKS IN LARGE MEASURE TO THE SUPPORT OF THE CONGRESS, PACIFIC COMMAND MILITARY FORCES ARE EQUIPPED, TRAINED, AND READY

TO RESPOND TO ANY THREAT. THE MEN AND WOMEN IN THE PACIFIC COMMAND ARE MAINTAINING THE HIGH LEVELS OF READINESS WE'VE COME TO EXPECT IN THE LAST FEW YEARS. THE DEDICATION AND SKILL THAT OUR PEOPLE ARE DEMONSTRATING ON A DAILY BASIS ARE IMPRESSIVE. OUR ABILITY TO EQUIP PROPERLY AND SUSTAIN OUR FORCES IN WARTIME IS INCREASING INCREMENTALLY AS MODERN WEAPON SYSTEMS AND MUNITIONS COME ON LINE. WE OWE OUR PEOPLE OUR FULL SUPPORT, ESPECIALLY IN THE AREA OF ADEQUATE PAY INCENTIVES AND QUALITY OF LIFE PROGRAMS THAT ARE SO NECESSARY TO RETAIN OUR MOST VALUABLE RESOURCE.

THE FORCES WE HAVE CAN DO THE JOB AND GIVE THE SOVIETS PAUSE TO CONSIDER. WITH YOUR CONTINUED SUPPORT, WE CAN DETER AND IF NECESSARY DEFEAT THEM IN THE PACIFIC THEATER. ALTHOUGH WE ARE SPREAD THIN WITH ONLY ONE-SIXTH OF U.S. FORCES DEDICATED TO PROVIDING SECURITY AND STABILITY FOR OVER ONE-HALF OF THE EARTH'S SURFACE, OUR FORWARD BASING STRATEGY HAS DETERRED SOVIET EXPANSION AND AGGRESSION. MOREOVER, IT HAS MAINTAINED AN ENVIRONMENT THAT HAS STIMULATED ECONOMIC GROWTH AND STABILITY THROUGHOUT THE PACIFIC. THE ADMINISTRATION, THE U.S. CONGRESS, AND THE AMERICAN PEOPLE CAN BE PROUD OF THESE ACCOMPLISHMENTS. I AM CONVINCED WE NEED TO CONTINUE A FORWARD BASING STRATEGY AND AUGMENT OUR PEACETIME AND ALLIANCE STRENGTHENING EFFORTS SO THAT WE CAN MAINTAIN OUR LEADERSHIP ROLE IN THE PACIFIC.

Senator DIXON. I thank you, General Moore.
General Patte.

STATEMENT OF MAJ. GEN. CHRISTIAN PATTE, U.S. ARMY, DIRECTOR FOR LOGISTICS, (J-4), U.S. CENTRAL COMMAND

General PATTE. Thank you, Mr. Chairman.

As you are no doubt aware, Central Command's area of the world has been very active militarily since I testified before you in March of last year. Support of the EARNEST WILL escort missions in the gulf has involved significant logistical challenges which were all overcome with total success.

Our forces in the area range from 30 Navy ships with about 17,000 service members at its height last year to the current total of about 20 ships. However, we do continue to run the EARNEST WILL missions and just completed our 217th mission just a few days ago. We have conducted some 360 ships through the Straits of Hormuz.

These missions have been a real logistical success story that would not have been possible without a coordinated effort among our services and the invaluable support of our allies in the area. Operational missions never suffered from the lack of logistic support. But, at times I must say we were stretched to the limit.

You may remember last April during our strike against the offshore oil wells and the Iranian navy in response to the mining of the U.S.S. *Roberts,* our aerial tankers delivered fuel to our recon and fighter aircraft for 38 straight hours during that operation.

Our successes in these combat missions were a direct result of the high level of the readiness of our forces, due in great part, I might say, to the strong support we received from the Congresses of the last few years.

There is no doubt that the effectiveness and staying power of our forces in the gulf were a major factor in the cessation of hostilities between Iran and Iraq.

The situation now appears calm due to the current truce. But, I might say that logistical support for our operations over a limited time has been very successful. However, we should not rest on these laurels.

I can assure you, Mr. Chairman, that we would encounter far greater challenges in executing our larger regional mission with all the forces allocated to the command deployed to our area.

However, now the Army divisional forces and their organic support are ready to deploy and to fight. The Air Force now is able to meet 95 percent of its required sorties in the near term based on spares support in the past budgets.

More recent funding cuts, however, will cause this rate to decrease in the coming years to about 73 percent. The Navy and Marines, of course, continue now to report a high state of combat readiness.

We do still have some problem in our nondivisional Army combat support and combat service support readiness and material sustainability. Both the Active and Reserve components have improved slightly during the last year as they did the year previous. The personnel readiness has improved 8 percent for the Reserve components and 7 percent for the Active.

Problems now are due primarily to specialty training and MOS deficiencies. The equipment readiness which impacts fewer units has improved 2 percent and 9 percent for the Active and Reserve components, respectively.

With your continued support and the passing of the budget, Army readiness will continue to improve in those areas. Once deployed, our forces must be sustained in combat. The sustainability stocks include both prepositioned stocks and the CONUS depot stocks reserved for Central Command. Improvements in this area have been rather modest due to the very large numbers of items and their very high dollar value.

Generally, we have about half the dedicated sustainability stocks we would like to have for the long haul. The first years 1990–1991 budget submission provides for small gains overall while concentrating on our higher priority needs; that is to say the radar guided missiles, Army modern munitions, repair parts, and medical supplies and equipment.

The capability to deliver these supplies and equipment to our force is essential. In our region, unlike much of the rest of the world, there are a limited number of ports many of which are austere in terms of their cargo transfer capability. Consequently we have long needed logistics over the shore equipment to transfer equipment and cargo from ship to shore across the beach.

The Army's lighter amphibious heavy, the LAMP-H as we know it, is the answer to our need, and we seek your support of this important program. Medical sustainability is also an important element of combat capability and one measure of this element is a number of beds available in the theater. Currently we have a little more than one third of the capability we would like to have. Consequently more patients have to be evacuated from the region versus being cared for locally and returned to duty.

The services' deployable medical systems, the DEPMEDS program, will overcome this deficit with your continued support. The prepositioning of a portion of our war reserve stocks, of course, reduces our lift requirements. It improves our ability to respond in a crisis.

We continue to work with the countries in our region to obtain additional access for prepositioning, and current efforts should increase our prepositioned stocks in all categories.

I might say that in respect to our successes in the gulf, we have found the local countries much more amenable to United States prepositioning in the area and should these pending projects work out, supplies and equipment could increase by 12 percent and fuel on the other hand, should improve a substantial 44 percent of prepositioned stocks in the area.

As a side effect, our prepositioning also provides resources that can be used during our exercises. In BRIGHT STAR '87 we saved about $1.1 million by eliminating 14 C-141 sorties through the use of our prepositioned supplies.

The chemical and biological defense is an area where some critical shortages still remain. For the CENTCOM forces the most pressing needs are collective protection shelters and decontamination systems. Various service programs in the budget will improve our collective protection capability by fiscal year 1994. Some decon systems are planned for procurement in fiscal 1991, while others are still in R&D.

The last area I would like to address, Mr. Chairman, is the military construction program. Of course, this provides us facilities and infrastructure in the region to support our prepositioning program and operations in the theater.

The 1989 program provided four projects at roughly $25 million for staging and storage facilities and airfield improvements. The fiscal 1990 request for $53 million will provide additional airfield improvements and more prepositioning storage. It will also provide for a refueling system in the Azores for greater en route airlift capability.

I would add that to provide the needed facilities overseas we also explore other cost-effective alternatives to MILCON such as host nation support, commercial leasing, and build to lease.

In conclusion, Mr. Chairman, and as you gentlemen well know, for any deterrent force to have credibility, it must be visible, effective and we must have the national will to use it when necessary. CENTCOM's successful operations in the Persian Gulf since my last appearance before your subcommittee are evident proof that our combat forces are, indeed, ready to fight and are well supported.

We do need your continued help to ensure that we can fully support a much larger contingency in sustained operations over the long haul. I, together with General Schwarzkopf, express our appreciation to the members of the subcommittee who obviously share our concern for readiness and sustainability. We at Central Command thank you for your past support of these important components of this Nation's force projection. Thank you, Mr. Chairman.

[The prepared statement of General Patte follows:]

PREPARED STATEMENT OF MAJOR GENERAL CHRISTIAN PATTE, DIRECTOR OF LOGISTICS AND SECURITY ASSISTANCE, U.S. CENTRAL COMMAND

During the past year there have been many changes and challenges in the U.S. Central Command. Operations in the Persian Gulf have stressed our ability to tailor our joint logistics operations to the unique requirements of our escort operations. In respect to our larger sphere of operations and planning, our readiness and sustainability has improved, but we still need continued congressional support to sustain ongoing Service initiatives and improvements.

STRATEGIC IMPORTANCE OF THE AREA OF RESPONSIBILITY

The Central Command's Area of Responsibility includes 19 countries of diverse political, religious, economic, cultural, and geographic make-up. Europe, Asia, and Africa join to form a unique and complex region which has been traversed and fought over by armies of the world for centuries. Three of the world's major religions have their roots in the area: Christianity, Judaism, and Islam. Today, this blend of religions, cultures, and ideologies continues to make the region volatile and unpredictable.

In the center of this region are over 70 percent of the free world's oil reserves - oil which fuels the West's industries and economies and which is vital to the United States and its allies.

Beyond the oil itself, the region contains the strategic waterways which facilitate the flow of world commerce vital to the survival of many nations. The Strait of Hormuz provides the only maritime access to the Gulf. The Red Sea, with the Suez

Canal at the north and the Bab el Mandeb in the south, is one of the most vital strategic sea lines of communication in the world. In time of peace, these waterways are important. In time of conflict, they are critical as they provide the strategic lifeline essential to the timely deployment and sustainment of free world forces.

The United States Central Command's regional objectives, derived from our national security strategy, are as follows:

- Strengthen regional stability by prudent application of United States influence, presence, and aid.

- Preserve free world access to Southwest Asian oil resources.

- Limit the ability of unfriendly regimes to destabilize or subvert the governments of our friends and allies.

- Counter Soviet initiatives to gain influence and power in the region.

- Deter, and if necessary defend against, Soviet aggression.

Our very real and unique challenge is that of supporting a combat force in a theater without major deployed forces and with little or no existing infrastructure. In concert with our Service components, Central Command has made considerable progress in attacking these difficulties, and we owe a good deal of this success to the Congress for the authorizations provided in support of our current operation plans.

PERSIAN GULF OPERATIONS

Since my last presentation, our mission to protect U.S. flagged ships and maintain freedom of navigation in international waters has continued with much success. As the threat diminished, due to the current truce, our EARNEST WILL mission force structure has gone from a high of 30 Navy ships last year to the present day total of 20. There have been a total of 217 missions to date and 360 ships have safely passed through the Strait with our protection. Prior to September 1988, the escort force consisted of major Naval combatants, Army helicopters, special operations forces, Air Force aerial refuelers, AWACS, Navy patrol aircraft, an embarked Marine air-ground task force (MAGTF), small patrol boats and mine sweepers (MSO's).

These missions seriously tested readiness and sustainment of our forces, and I am proud to tell you the system worked. Ships and barges executing the EARNEST WILL mission were constantly underway. All ships were actively involved with mission support with none available as a reserve. Combatants had little or no time for port visits. The only time ships were not actively patrolling or escorting tankers was when they had to stop for fuel, repairs or supplies. Every vessel was a moving target for the logisticians.

As the escort operation matured, cargo resupply and passenger transport operations were modified. In addition to the Ready Supply Store (RSS) and warehousing ashore in Bahrain, commercial ships were chartered to carry supplies into theater with cargo discharged at an accommodating port outside the Gulf. This cargo was then transferred to USN Combat Service Group (CSG) ships and delivered to Navy combatants both inside and outside the Strait of Hormuz. Total force readiness increased, as one ship now accomplishes what would have taken nearly three ships to accomplish under the old system. Major reductions were made in airlift, specifically costly SAAM flights, while established MAC channels carried only high priority parts and passengers. The shift from airlift to sealift resulted in cost avoidance of over $1.6 million per month.

The key to logistics support success has been "making it work." Support to Persian Gulf operations has covered every aspect of logistics; transportation and mobility, maintenance, fuels, ammunition, supply, services, and mortuary affairs. No facet has been left untouched. Intensive management of supply, support, readiness and sustainment during Operation Earnest Will insured its success. Success on the relatively small scale of this operation over a limited time has taught us many valuable lessons in preparing and planning for the much larger mission of regional war if necessary.

READINESS

While we successfully prosecuted our missions in the Gulf, we continued to overwatch the readiness and sustainability of our components for our larger, regional mission.

ARMY

Readiness problems in Army Reserve Component (RC) Combat Support (CS)/Combat Service Support (CSS) units continue to limit combat effectiveness of our forces. Shortages of equipment on-hand have resulted in 6 percent of the Active Component (AC) being "not combat ready", and 10 percent of the Reserve Component (RC) being "not combat ready". Personnel problems have caused 7%

of its AC and 22 percent of the RC to be "not combat ready". These problems include both shortages of people and training. Overall, the readiness of the CS/CSS units has improved, but the RC units still have the preponderance of problems and since they form 75 percent of our unit support structure, this deficiency limits full accomplishment of our mission. The Army is making good progress in solving these problems with equipping and training programs. Your continued support is essential to improve our readiness further and maintain past gains. The following is a comparison with last years statistics:

	1988 Not Ready		1989 Not Ready	
Personnel	14% AC	30% RC	7% AC	22% RC
Equipment	8% AC	19% RC	6% AC	10% RC

AIR FORCE

All air forces designated for USCENTCOM are in a satisfactory state of readiness and all are mission capable. The USAF continues to report that they are capable of meeting in excess of 95 percent of their required sorties. However, FY 90 and FY 91 funding cuts in war reserve spares may affect capability in upcoming years and result in a decrease in sortie-rate to a low of about 73 percent by FY 93. Our ability to conduct sustained operations is also hampered by shortfalls in the numbers of air-to-air missiles and precision guided munitions allocated to USCENTCOM.

NAVY

Assigned naval forces are 95 percent combat ready. Your continued support will ensure the availability of a highly capable force into the future.

MARINE CORPS

Marine Corps units also continue to maintain a high level of combat readiness. The Maritime Pre-positioning Ships (MPS), Squadron TWO, located in Diego Garcia, complement our amphibious lift capability. These five ships are loaded with unit equipment and supplies to support a 16,500-man Marine Expeditionary Brigade (MEB) for early operations. This initial combat capability can be established for a MEB size force in 5-7 days.

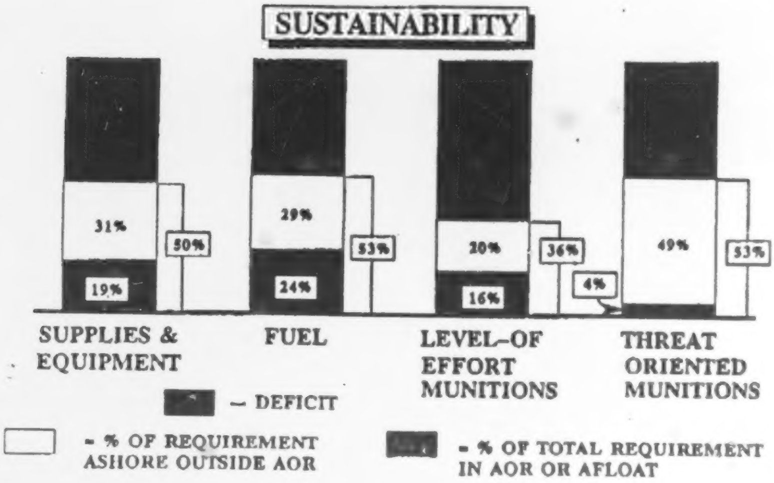
SPECIAL OPERATIONS FORCES (SOF)

Ranger units and naval special warfare units are fully mission capable. USAF SOF units have experienced some readiness degradations due to aging equipment, notably in airlift assets. In this respect, the FY 88-89 Budget provided funds for MC-130 and AC-130 aircraft. It also provided money for the upgrade of MH-53 PAVE LOW helicopters, a program scheduled for completion in FY 90.

SUSTAINABILITY

Sustainability is the staying power of a military force once it is deployed. Materiel sustainability, the most significant element, is composed of several interdependent aspects including pre-positioned materiel and depot stocks in CONUS reserved for USCENTCOM.

Shown below is the current materiel sustainability posture.



SUPPLIES AND EQUIPMENT

Primary shortages include major end items, medical supplies, repair parts, bulk petroleum, preferred munitions, and air-to-air missiles. The proposed budget provides modest gains in munitions. However, equipment shortages continue to be a problem for some support units. The Services need continued funding support to reverse this situation. Particularly critical and high-cost items include the Air Force and Navy AMRAAM Program, Army modern munitions, and Army major end items.

FUEL

Sustainability has increased by 15 percent through the reallocation of service held stocks against USCENTCOM requirements. Although our sustainability posture has improved, the overall POL shortfall will still be a major problem for sustained operations. Improvement in fuel posture will require continued coordination with host countries, selected additions to pre-positioned stocks, and purchase of tactical fuel distribution systems sufficient to ensure fuel can be moved to land and air forces deployed beyond existing fixed facilities.

MUNITIONS

Munitions sustainability for Level-of-Effort (LOE) munitions continues to be a genuine concern. Shortfalls are primarily in the modernized direct-fire and artillery munitions supporting ground forces. In the area of threat-oriented (TO) munitions, the on-hand aggregate posture stands at 53 percent of our requirement. This increase is attributable to recent force structure changes, recomputation, and reallocation. The major concern with TO munitions continues to be shortages of air-to-air missiles. For example, the Air Force component has 55 percent of their requirement for medium range air-to-air radar missiles. Overall, USCENTCOM has realized only marginal growth in the amount of stocks on hand. There is no fix for these problem areas short of procuring the needed stocks. We need strong support for additional funding to improve both the LOE and TO posture.

MEDICAL

Sustainment of our forces not only requires supplies and equipment but also adequate medical support capability. Hospital beds available in-theater are one measure of our medical support posture. At present, we have 36 percent of the required beds available for planning. The shortfall in hospital bed availability will require evacuation, out of theater, of up to 60 percent more patients than would otherwise be necessary if all required hospital beds were available. The Tri Services DEPMEDS (Deployable Medical Systems) program addresses this bed shortfall and needs continued congressional support.

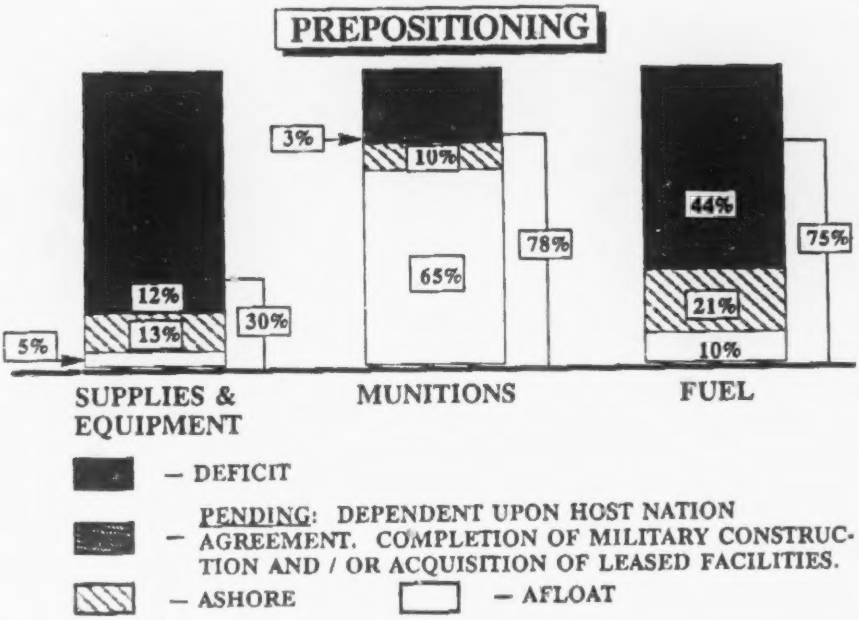
LOTS

Another aspect of sustainability is the capability to deliver the supplies and equipment to our forces. Logistics Over the Shore (LOTS) provides us with the ability to load, offload and transfer equipment and supplies from ship to shore. This is particularly important in our area where ports and harbors are relatively austere and undeveloped. Currently Central Command does not have its full required capability. The key to a successful LOTS operation program is the Lighter Amphibious-Heavy (LAMP-H) hover craft which can deliver the full range of equipment across the beach. This important program is being supported by the Army and continued funding support is solicited.

PRE-POSITIONING

War Reserve Materiel (WRM) provides sustaining supplies for combat operations. Pre-positioning a portion of these WRM stocks allows us to respond and employ forces more rapidly than if we had to deploy both forces and materiel. Pre-positioning provides essential supplies and equipment to our early deploying forces while reducing intertheater lift requirements in the initial stage of force deployment. Additionally, pre-positioning supports overseas exercises, lowering costs by reducing airlift and sealift requirements.

Shown below is our pre-positioning posture.



Current initiatives and previous congressional authorizations should improve Central Command's posture by approximately 12 percent of our requirement for supplies/equipment, 3 percent of munitions, and 44 percent of bulk petroleum. The pre-positioning program in Southwest Asia continues to improve in terms of definition of requirements, reconfiguration of assets, and expansion of AOR ashore access.

SUPPLIES AND EQUIPMENT

The requirement for pre-positioning has increased based on an analysis of our operating plans. The new figures represent the total requirement documented in the Master Storage Plan. Efforts continue to acquire materiel and improve access opportunities.

MUNITIONS

The bulk of the command's pre-positioned munitions continue to be assets pre-positioned afloat.

FUEL

Pre-positioned POL has decreased by 19 percent since last year even though physical inventories have remained the same. This change was the result of redefining the pre-positioning goal and the stocks counted against this goal. Currently we are pursuing three major pre-positioning initiatives which should come to fruition in the next few years increasing stock levels by 44 percent.

CHEMICAL AND BIOLOGICAL DEFENSE

USCENTCOM forces continue to be short necessary protective and warning equipment required to reduce chemical warfare (CW) casualties. The most critical shortages for USCENTCOM are collective protection and decontamination systems. None of the transportable collective protection systems identified for use in Southwest Asia are available at present. The Army and Air Force expects to have about 40 percent of their requirements on-hand by FY 94. The Marine Corps will have 100 percent at that time. Decontamination equipment is in limited supply. Procurement of the lightweight decon system for the Army and Marine Corps commences in FY 91. Research continues on a nonaqueous decon system but fielding is not expected before late FY 97. We need continued strong support for all chemical and biological defense programs in research and development plus procurement.

Equally important for deterrence is chemical retaliation capability. The safer binary chemical munitions are needed to maintain an adequate chemical retaliatory capability until a credible and verifiable chemical weapons ban can be accomplished.

MILCON

The USCENTCOM objective for the Military Construction Program in Southwest Asia is to provide a network of facilities to support pre-positioning, staging, and employment of U.S. forces. Significant progress has been made in the SWA infrastructure which now gives us the capability to support airlift operations, pre-position supplies and equipment, conduct air operations, and provide en route support. In all, our essential facilities throughout the AOR were originally estimated to cost approximately $1.4 billion. The $1.1 billion funded to date represents 78 percent of the total USCENTCOM requirement. We need your continued support to obtain the remaining infrastructure.

Our FY 89 program consists of four projects valued at $25.7M. Included in the program are the first two Army projects to be executed in our AOR. Both the Intermediate Staging Facility (ISF) and the theater war reserves pre-positioning facility (TR2) will significantly improve our ability to quickly project and sustain our combat forces. The ISF will provide a location where forces can assemble, complete planning, and prepare for commitment to the combat zone. The storage facility will allow us to pre-position supplies and selected equipment for an Army division. Plans to use these sites for periodic training will also substantially decrease peacetime exercise airlift and sealift costs.

The FY 90 MILCON program provides $53.0M for additional pre-positioning storage and airfield improvements in theater and for a refueling system in the Azores. Airfields will be improved to better support Army staging activities and Air Force operations. Improvements will greatly enhance our ability to conduct operations in support of our current OPLANS. The warehouse projects will provide an additional 160,000 square feet of warehousing for materiel and equipment storage in theater. Finally, the hydrant refueling system to be installed at Lajes, Azores will allow for more efficient operations and give us the capability to handle a greater variety of airframes.

Congressional desires to fund only the most critical overseas MILCON projects are understood. USCENTCOM is examining all possible alternatives, such as host nation support, commercial leasing, build-to-lease, and relocatable assets to satisfy infrastructure requirements whenever possible. Lease negotiations are proceeding in two countries which, when successfully completed, will increase our pre-positioning capability. In addition, relocatable structures to house materiel and equipment will be constructed in several countries as part of an exercise related construction program.

FY 90/91 BUDGET SUMMARY

The FY 90/91 budget request will continue or complete programs to improve the readiness and sustainability of USCENTCOM. We request your support for the critical areas discussed below.

SUPPLIES AND EQUIPMENT

Based on current funding levels, and expected Army distribution of assets, the FY 90-91 budget will permit a slight improvement by the acquisition of major end items and secondary items.

MUNITIONS

The FY 90 budget provides funds for the purchase of additional Air Force HARM, MAVERICK and AMRAAM missiles to reduce our present shortfalls. Your support of the budget submission of $902.9 million for AMRAAM, $79.3 million for HARM, and $177.5 million for MAVERICK is essential to alleviate critical shortages. Additionally funding in the FY 90 budget for Army ammunition will provide us no growth in level-of-effort (LOE) munitions.

CHEM BIO DEFENSE

The FY 90/91 procurement appropriations of $507.9 million will continue improvement in USCENTCOM's chem/bio defensive capabilities. RDT&E funding of $389.4 million will sustain continued development of lightweight (cooler) protective clothing; a lightweight decontamination system; and standoff detection capabilities.

In addition, increased emphasis is needed for research, development, and procurement of binary weapons (155mm, MLRS, and Bigeye) in FY 90/91. This program is necessary to ensure adequate chemical retaliatory capability is maintained until a credible and verifiable weapons ban is achieved.

MEDICAL

The lack of organizational equipment for Army Reserve Hospital Units is addressed by the Army's request for the

Deployable Medical Systems program. This will provide equipment for 3 reserve hospital units. These units will provide a total of 1100 additional beds by FY 91, significantly improving current readiness status for these critical units.

MILCON

The $53.0 million in the FY 90 MILCON program enhances our capabilities in three major areas by allowing forces:

- To deploy to the AOR in a more timely manner with an upgraded hydrant system at Lajes,
- To effectively conduct strategic and tactical air operations in Somalia due to the airfield improvements project at Berbera, and,
- To project and sustain combat forces as a result of the apron staging support at Thumrait and warehousing for pre-positioning war stocks at various locations.

After completion, these FY 90 projects will also be used regularly during periodic exercises and training.

The $21.3 million FY 91 program enhances force projection and sustainability by supporting staging of forces and furnishing additional storage for pre-positioning.

SUMMARY

Central Command's strategy is, by necessity, one of economy of force which capitalizes on the synergistic effect of United States and friendly forces to selectively deter or counter hostile regional or Soviet military actions. Clearly, coalition warfare and active military support of our objectives by friends and allies are critical. The readiness and sustainability programs requested by the Services and highlighted in this presentation are crucial to the continued improvement of our posture and accomplishment of our mission.

Senator DIXON. I thank you, General Patte, and want to say that all of you have set a fine standard for the Senate staying under your 10-minute limitation. I regret to say there is no evidence whatsoever the Senate will follow it, but we appreciate it very much.

With the accommodations of my colleagues, unless my ranking member here wants to put a statement in the record, I think I will go to the early bird rule and recognize Senator Thurmond for questions. Did you have a statement you wanted to put in first?

Senator GORTON. Yes. I have a very, very long four-sentence statement that I will put in the record.

Senator DIXON. I believe that the ranking member is going to make a liar out of the chairman and really make a good beginning here by putting in a very short statement. We will put that in the record.

[The prepared statement of Senator Gorton follows:]

PREPARED STATEMENT BY SENATOR SLADE GORTON

Thank you Senator Dixon.

I too would like to welcome the witnesses to the hearing today.

I note in their statements for the record that there is some progress in military capability within their regions, but a number of problem areas still exist.

Each witness makes the point that readiness measures have leveled off and some are even declining. Also, each refers to the funding levels requested as the absolute minimums.

Two positions are clear from the statements. First, the minimum funding levels do not correct the current readiness shortfalls. And second, if the funding levels are cut further, U.S. military capability will be directly affected.

Senator DIXON. Senator Thurmond, we are delighted to have you here, sir.

Senator THURMOND. I ask unanimous consent that my brief statement appear in the record.

Senator DIXON. It will be in the record. And if the Senator is willing to accommodate me, I think we will have a 10-minute rule on Senators for their questions.

[The prepared statement by Senator Thurmond follows:]

PREPARED STATEMENT BY SENATOR STROM THURMOND

Mr. Chairman: I join you and the members of the subcommittee in welcoming our distinguished panel members, who symbolize our Nation's commitment toward maintaining peace in all corners of the world.

Despite the rhetoric of Mr. Gorbachev and our lean budget, we must continue to emphasize real readiness. We cannot afford to return to the readiness of the mid-1970's when the numbers looked good, but we had a hollow defense. I would rather see a smaller, ready force than a large force that lacks modern equipment and one which cannot be sustained. Your statements reflect a commitment to readiness. I support you in that effort, and trust we in the Congress can arrive at a budget that will ensure the readiness of our forces.

Thank you Mr. Chairman.

Senator DIXON. Senator Thurmond.

SHORTFALLS IN POMCUS STOCKS

Senator THURMOND. General Leland, you indicated in your statement that you have made some progress in filling the POMCUS stocks, but that shortfalls still exist, I believe. Will you tell us, what are the most critical shortfalls in the POMCUS stocks?

General LELAND. Sir, I would start by saying that most of the big things are there. So, if you start counting M1 tanks or Bradley fighting vehicles, generally those kinds of items are present.

There is a lot of support equipment, radios, wheeled vehicles are examples, that are generally short.

We are buying some more equipment. That is going to help. But also, we are reorganizing how we store it.

We have six division sets. None of those sets are in very good shape. A logical thing to do is to concentrate the available stocks into a fewer number of sets so we can get the initial couple of divisions over there quickly. Although that will not bring us anywhere near the standard that we are after in terms of being able to close the force, it is going to help.

GERMANY'S FEELING ABOUT NUCLEAR MODERNIZATION

Senator THURMOND. General Leland, we have all read that at the present time German politicians are against nuclear modernization of our forces in Europe. Could you give us your perception on how the German military feels about this issue?

General LELAND. Well, sir, obviously as you correctly note, I am a soldier and not a politician. And what we are going to do about nuclear weapons is obviously a matter for our Nation and for the other members of the alliance to decide.

I would indicate, though, that short range nuclear weapons are an integral part of our strategy and that strategy has worked very well, as I indicated in my opening statement, for over 20 years.

There are several components of our short-range nuclear force. There is an artillery part of it. There is an Air Force delivered part of it. And the thing that is being debated the most now is the Lance missile. It has been around since 1972. It is very old technology. It was originally supposed to go out of the inventory in 1985. It has been extended for 10 years until 1995, and the economic analysis shows that it is just not economically smart to try to extend its life beyond that point. So, that is the debate with which you all are familiar.

I would tell you, sir, that from the point of view of the strategy it is a very important weapons system.

Senator THURMOND. Are you in a position to say how the German military feels about nuclear modernization?

General LELAND. Yes, sir.

Sir, we feel strongly that there is a requirement to modernize our nuclear weapons.

Senator DIXON. He asked the Germans, General.

General LELAND. I am sorry, sir. I misunderstood you.

Senator THURMOND. I have a southern accent that is hard to understand.

General LELAND. Sir, I just do not listen very well.

Yes, the question about how do the people in uniform in the German military, how do they feel about it?

Senator THURMOND. Yes, give us your perception of how the German military feels about this issue, the nuclear modernization of our forces in Europe.

General LELAND. Sir, I guess I would have to say I really do not know. They are part of that society, and it is a democracy.

Senator THURMOND. You have not talked to them?

General LELAND. Sir, I have friends that I talk to.

Senator THURMOND. You mean—if you think it is better not to quote them or express their opinion, you can just say so.

General LELAND. Sir, I think it is better I do not express their opinions.

Senator THURMOND. Could you express their opinion if I wanted you to? [Laughter.]

I will not ask you to do it, but could you do it?

General LELAND. Sir, the very, very small sample of people that I know that I have talked to would agree with the strategy and would agree with the need to modernize, but that is certainly not representative of the German armed forces. I really do not know how they would feel.

Senator THURMOND. Well, I do not want you to say anything that will embarrass you in any way.

FUNDING REDUCTIONS

General Stackpole, your statement indicates that as a result of funding reductions during the past 4 years, the projected wartime sortie generation capability for the Air Force in the 1990–1994 time frame shows a decline. Could you tell us how significant the decline would be and what does it mean in terms of carrying out your war plans?

General STACKPOLE. In generalities, sir, the significance is sufficient to have a severe impact on our war plans in terms of sorties that can be generated. I would prefer to deal with that in closed session, if I may.

Senator THURMOND. Okay.

OPEN SEA LANES

General Stackpole, everyone acknowledges that keeping the sea lanes open will be critical if we are to reinforce our forces in Europe in the event of a crisis. In the proposed budget we reduce our ASW forces by eliminating one carrier group, reducing the P-3 fleet, and transferring 10 frigates to the reserves. Based on these reductions, does your command now have enough forces immediately available to keep the sea lanes open?

General STACKPOLE. No, sir, we do not. The current strategy, which is a forward strategy to keep the Soviet submarine threat bottled up and thereby keep the sea lanes of communication open mandates the requirement for 15 total carrier battle groups. In the Atlantic, four would operate with the Second Fleet, and four with the Sixth Fleet supporting Europe in the Mediterranean. Air ASW is the force multiplier given the Soviet Union's numerical superiority in submarines. Deactivating 73 P-3A/B aircraft will result in some degradation in our overall capability to cover the vast area that we presently cover until the P-7A comes on line in sufficient numbers in the late 1990s.

The Soviets have made impressive qualitative advancement in their quieting capability, ASW aircraft are the key to effective, coordinated ASW which links surface, subsurface and air elements through an increasingly sophisticated communications network. Our capability to keep the sea lanes of communication open will be greatly enhanced by the more capable P-7A.

Additionally, in wartime we would have a significant shortfall of surface combatants. The transfer of ASW combatants into the Reserve force will mean battlegroups will deploy with fewer surface combatants in peacetime.

SUSTAINABILITY OF FORCES

Senator THURMOND. General Moore, the sustainability of your forces is a key factor in your war fighting capabilities. You indicate that you have made progress as a result of the Reagan budgets. Yet you state that you have only 40 percent of the required objective for MAVERICK 2000 pound bombs and 155 millimeter dual purpose conventional munitions.

Under the proposed 5-year budget, General Moore, how long will it take to reach 100 percent of your objective fill rate in this type of munitions?

General MOORE. Senator, whenever you deal with either level of effort or threat munitions and overall percentages, you have to be rather careful, because there are so many individual categories.

In answer to your question, most of these systems are relatively new systems. They have just come out of R&D. In some cases the fill rates for 1988 to 1989 have been impressive, impressive in small numbers of days. As we look at the 1990 and beyond time frame, those fill rates start to grow. Many of these systems are long lead time systems and take a while to get on the shelf. Overall, in level of effort and threat munitions, we have gained quite a few days in the last 5 years. As long as we can continue to put a decent amount of money against those systems, the projection still looks good, but it will be at a slower rate because many of them are being drawn out.

FORWARD BASING

Senator **Thurmond**. General Moore, you indicated forward basing is critical in maintaining peace in the Pacific. In view of the costs associated with this concept, could we not reduce the size of the force we have forward deployed and still maintain credibility.

General **Moore**. Senator, I do not believe so. We have roughly 17 percent of the U.S. forces in the Pacific. We cover about 50 percent of the globe. We are stretched rather thin to start off with. As I look at both the Soviet and North Korean threat or other adventurism that may take place in our region, I think we are positioned about right.

The second division in Korea is aligned with the South Koreans. In total numbers they are facing a rather large threat. They are starting to achieve some equal balance on the ground.

The air and naval forces are farther behind in that thrust. The Seventh Fleet and its capability to roam the seas in that area is essentially unchallenged, especially against the North Korean threat. It is impressive.

The Third Marine Expeditionary Force in Okinawa is really our only forcible entry capability in the Pacific. They are composed of one division, one force service support group and a Marine Aircraft Wing. We guard them jealously and use them very tightly. I think we have a good economy of force out in the Pacific and we are using our forces well. We need all we have from a war fighting view.

Senator **Thurmond**. Mr. Chairman, my time is up.

Senator **Dixon**. I thank you, Senator.

Senator Levin.

Senator **Levin**. Thank you, Mr. Chairman.

MISSILE SHORTFALLS

General Stackpole, first, if I could ask you. You mentioned that the Atlantic Command has serious shortfalls of AMRAAM, Phoenix and HARM missiles, torpedoes and Maverick and Standard missiles.

General Patte, you stated that the Central Command has shortages in HARMs, Maverick and medium air-to-air missiles and other precision-guided munitions.

And General Leland, your statement says that the European Command has shortages in almost all categories of conventional missiles, including air defense, anti-armor and anti-ship missiles.

And yet the budget that is before us proposes cuts, cancellations or stretch-outs of every single one of those missiles that you say are needed.

And my question of each of you is, does this budget provide you with the proper level of sustainability?

General Stackpole, why don't we start with you?

General **Stackpole**. In terms of threat munitions, no, sir. Although there were no major reductions in this area in the amended budget, it does not provide us with the level of sustainability necessary to support the existing war plans and existing strategy.

Senator **Levin**. Okay.

General Leland, why don't we then go to you.

General LELAND. Sir, it does not give us everything we need. That is obviously correct, as General Stackpole has commented. But in the current budget, as it sits, that is the area in sustainability that improves the most. It is our biggest problem. You know you can average numbers a whole bunch of ways, but we only have about 30 percent of what we need of those kinds of munitions. That situation improves with this year's budget, and, in fact, improves substantially throughout the 5-Year Defense Plan.

Senator LEVIN. So each year it gets better?

General LELAND. Yes, sir. That is correct.

Senator LEVIN. From your perspective. Okay.

And General Patte.

General PATTE. Senator, I can only barely add to what my colleagues have stated. The situation is exactly as they have stated. The only thing that I could add in addition is that as far as Central Command is concerned, and the overall strategy, and perhaps this is true of the other CINCs as well, if they are involved in the only war in town, there is obviously going to be some redistribution going on between the theaters.

But insofar as having dedicated stocks for our particular use to the contingencies that we have planned, my answer stands with the rest of my colleagues. The budget does not provide much help.

Senator LEVIN. As I understand it, those cuts were made from the budget that President Reagan submitted to us to the budget which President Bush submitted to us; is that correct?

General PATTE. Yes, sir.

Senator LEVIN. Do those cuts hurt you? Does it make any difference? Any pain there at all?

General PATTE. Well, there is some pain, yes. Because obviously any commander would like to be filled to 100 percent of his reserve stocks.

As I mentioned, however, in a large-scale contingency in the Persian Gulf, we would expect some redistribution from the other theaters to take place.

So that is, of course, an element of the risk that we must take. But I do not think any of us here at this table, looking at it logically, will ever see 100 percent of all of our war reserves filled because of the expense of the nature of the game.

AIR FORCE SPARE PARTS

Senator LEVIN. General Welch told us last week that the Air Force has not purchased sufficient stocks of spare parts. And that there is an imbalance in the Air Force in the area of sustainability.

On the spare parts shortage, General Leland, will that cause us to end up with aircraft without working engines?

General LELAND. Sir, for peacetime, the answer is no. The situation in the forces is fairly similar in that there are adequate spares to maintain the peacetime training op tempo.

The difficulty we have is in the go-to-war stocks. Specifically the Air Force did not buy enough spares in 1988 and 1989, which is going to impact, obviously, in 1990 and 1991. There is more money for the Air Force spares in 1990 than there was in those previous 2 years.

Senator LEVIN. Are you saying that the war reserve stocks, then, are better in 1990 than they were in 1989?

General LELAND. Sir, there is more money for them. So, in other words, if you put both of those categories of spares together, there is substantially more money in the budget that is before the Congress now for spares for the Air Force than was appropriated last year.

Senator LEVIN. Did you get what you requested for 1990?

General LELAND. Sir, for 1989?

Senator LEVIN. For 1990.

General LELAND. Sir, I am not sure, whether the Air Force did or not, but I believe that they are comfortable with what is in the budget. They would clearly like to have more, but I think they are pleased with what is there.

Senator LEVIN. Was there a reduction, do you know, from the Reagan budget to the Bush budget?

General LELAND. Sir, I am not sure, but I do not believe so.

JAPAN'S PROTECTION OF SEALANES

Senator LEVIN. General Moore, you have said in your statement that the Japanese are on their way toward meeting their commitment to defend the sealanes out to 1,000 miles?

General MOORE. Yes, sir.

Senator LEVIN. Can you describe for us how much closer they are to doing that, say, this year than they were a couple of years ago?

General MOORE. In the area of defense planning, they have taken a quantum jump forward. We are much closer in coordinating plans with the 7th Fleet than we were before.

Senator, you know they have a very impressive P–3 fleet. They have got more destroyers, for example, than the UK.

Integrating those into a combined force with the 7th Fleet is very important. That is what I think has improved most during my tour out in the Pacific.

Senator LEVIN. In equipment or personnel, are they ahead now over where they were 2 years ago?

General MOORE. Yes, sir, they sure are.

Senator LEVIN. Can you give us that comparison for the record. If you can, or if you can give it to us now that would be fine?

General MOORE. I can give it to you for the record, perhaps a line item comparison on each weapon system.

Senator LEVIN. Comparing now to a couple of years ago?

General MOORE. Yes, sir.

Senator LEVIN. Okay.

[The information referred to follows:]

[Deleted.]

Senator LEVIN. If they move ahead with the development of their own fighter jet, the FS–X, at what point will the Japanese be able to meet that requirement of defending their sealanes out to 1,000 miles?

General MOORE. Senator, that would be a quantum jump in the defense of Japan.

Senator LEVIN. Do you know what year they would be able to do that? Could you compare, for instance, their using our F–16 with their own FS–X as to when they would be able to defend those sealanes? Would it be quicker with the F–16?

General MOORE. Yes, sir, I believe it would be quicker, but would not meet performance standards set by the Japanese for the mid to post 1990s threat.

Senator LEVIN. Can you tell us by how many years it would be quicker with the F–16?

General MOORE. I believe we're on record saying that buying an upgraded off-the-shelf airplane, would save at least a couple of years.

But still, that is only one part of their 1,000 mile defense plan. There are a lot of other equations to that, Senator.

WAR STOPPERS

Senator LEVIN. And General Leland, I think this is my last question, and it is for you. Last year General Richards submitted a list of war stoppers to this subcommittee. And this list included, among other things, the following: TOW missiles, air defense missiles, MLRS rockets, Sparrows, Sidewinders, Mavericks, and HARM missiles. The budget proposal before us reduces the purchase of every one of those war stoppers.

General LELAND. Sir, my response to that is the same as before. It is all relative. There is substantial money in the budget to purchase missiles of those types.

Senator LEVIN. So the cuts do not hurt you?

General LELAND. No, sir. You know, obviously, we would like to have more, but as you understand very well, they are very expensive. In balancing the program, difficult decisions were made. We are basically pleased that, considering the expense, our posture is going to improve.

Senator LEVIN. But then, to put it in terms that I can understand, the reduction in the budget request is not something that troubles you? It is not a problem for you? It does not make deterrence less strong?

General LELAND. Sir, you know just like all things like that, you have to say, as compared to what? Given that something had to be cut, General Galvin, as part of the process, along with all the other commanders, was heard. And it is clear in what resulted that the unified commanders comments were not only heard, but were heavily weighted. That does not mean we got everything we asked for. But, generally, I think the concerns of the commanders were very much considered.

Senator LEVIN. Thank you.

Senator DIXON. Thank you, Senator Levin.

I think this subcommittee is very, very fortunate in having its new ranking member. I thank him for being here today. We recognize Senator Slade Gorton.

SHORTAGES IN COMBAT SUPPORT AND SERVICE SUPPORT

Senator GORTON. General Patte, I am going to address this question initially to you, but I would be delighted to have comments on it from any of the other panelists as well. In your review, in your printed testimony, you point out that there are shortages in combat support and combat service support capabilities, as do the other members of this panel. And it is also pointed out that additional shifts of missions from Active to Reserve or National Guard forces are now being considered.

I would like your comment on whether or not that shift of mission or even some shift of units is or is not a practical response to the budget exigencies with which you are faced; and perhaps your comment and those of the other panelists on the same subject assuming that the 5-year plan really is not much more realistic than a 5-year plan might have been 4 or 5 years ago. But, in fact, you are not likely in the next 4 or 5 years to have real increases in defense budgets, but budgets which will reflect pretty much what this one does.

General **Patte**. Senator, I will respond initially with saying that for Central Command, about 65 to 70 percent of our combat service and support structure does come from the Reserve components, both the Army National Guard and Reserve. So they are very important to us and we look at them very carefully.

I am not and my commander is not overly concerned with the on-going discussions in reference to having more of the Reserves pick up more missions.

Our combat forces, of course, can get to the theater rather quickly, and they are accompanied by what we call their organizational direct and direct support units, which furnish what we might call the corps level and below combat support.

The Reserve components primarily handle the echelons above corps; corps and above, as far as the support to the troops in the field.

We have exercised them regularly and continue to do so every other year in California and the in-between years usually on Bright Star exercises in Egypt and many of the other Arabian countries.

The 377th TACOM, which is a large logistical headquarters that has an enormous number of both Guard and Reserve components units assigned to it, has been our major support command in all of those exercises and has never failed us once. They call up the Reserves, they go out there and do their job extremely well. That is not to say there are no problems with equipment or personnel training, because as we all know, there are in specific units.

I have furnished to the committee the percentages of units that are considered not operationally ready in the record. The Army is taking several actions to fix that. They have instituted Reserve training facilities in the United States, in the CONUS states, six of which are already on line, and 15 more of these facilities by 1991, which will help with the training and the MOS problem.

And there is also a dedicated procurement program for the National Guard, which will give them about $90 million worth of equipment in the fiscal year 1990 budget. And insofar as the Reserve medical units, there is about $360 million reserved for them to bring them up to speed.

So I think the Army is looking at this very carefully. By and large, in our exercises I can say that these Reserve forces have always come on line and have done extremely well. That is not to say that we could mobilize 100 percent of them tomorrow and have the same results, because as we all know, there are deficiencies in manning, in training and in equipment.

But those that we routinely exercise have done extremely well, and I think, frankly, that we are about at the right level of ratio between Active and Reserve forces in our support structure. However, to increase it slightly in the Reserve column, I do not think would be a war stopper at all if properly managed.

Senator GORTON. Do any of the rest of you have any comments?

General MOORE. Yes, sir. I sure do.

I approach it as a war-fighter, as the J-3 of the Pacific Command. My CINC is concerned because of the balance the General talked about. I think we are at the critical level of that balance right now, especially in our combat service support.

Now, your next question would be, what are we doing about it? We have put pressure on all levels of our Defense Department, especially the Army, to keep those units equipped—many of them from your State, sir—equipped, manned, and trained at the right level.

This year for Team Spirit and Cobra Gold we made the conscious decision to bring the combat service support units forward before we brought any rifle shooters forward. That is where the real thrust of the matter is.

With all those enhancements, we are at the bottom line. It takes a long time to get those units forward in the Pacific. We will have to rely on a lot of air and sealift for these heavy units.

General STACKPOLE. In the Atlantic Command, sir, we have a limited number of ground forces and Reserve units. Those that we do have are prepared to fight in the first days of the war, but combat support and combat service support are lean, in the Reserves particularly.

We have a Reserve brigade that is training and, as a matter of fact, very shortly will be going to Iceland to exercise part of their mission there. But their combat service support is in woeful shape. The Army does not have the requisite funding to put it there. And I do not anticipate that it will be a priority element in any future budgets.

So in that particular concern we have a problem.

In areas such as the Air National Guard, where you have very competent, up-to-date crews, who also fly and maintain aircraft as a living when they are not acting as part of the Air National Guard, you have a highly ready force.

Ground forces are another story entirely. Critical to their success is to have training in which they work together as a team—as a combat entity. So there are some shortfalls there. What they do is outstanding, but in terms of the overall sustainability from the Atlantic perspective for the small force we do have, it is a very difficult show for us.

General LELAND. Sir, I agree with what has been said. I commanded the Army's National Training Center, which is out at Fort Irwin, California. It is mostly Active component units that train there, but there are some Reserve component units as well. It is the Army's most realistic and demanding training environment. And I was tremendously impressed with what Reserve component units can accomplish with the constraints that they have upon them. But as others have said, there are some types of units which are much easier to maintain at a high state of readiness in the Reserve components than others.

The service most recently affected by a move to the Reserve components is the Navy. And at least in Europe, we are not sure exactly what the impact is going to be. There are decisions that have not yet been made concerning adjustments in peacetime deployments.

Senator Gorton. Thank you.

BURDENSHARING

The next question will primarily be for General Moore and for General Leland I think, but either of the others of you can comment if you wish.

General Moore, you have a section on the role of our allies and friends and express the view that our allies could do more to meet their defense needs. I would say that is probably more applicable to your theater and to General Leland's theater than it is to the others.

I wonder if each of you would expand on that, and particularly you, General Moore, in the Pacific. If our allies there were to do more, would you prefer that they do more by taking a greater load of their defense on their own backs, or because that sometimes disserves some people in the United States, do you feel that that could best be accomplished by asking for greater monetary support from our allies there than we are getting now, but that we continue the lion's share of the load from the point of view of people and equipment?

Perhaps General Leland can comment on the same matter. Is it more a concern of additional people and personnel in Europe or better support on the part of our European allies for what we are already doing there?

General Moore. First of all Japan and Korea, the two major burdensharing countries in our theater can do more. Without question I believe they should do more.

We have made good strides in Japan. As you know, the Japanese do an awful lot of work and construction. We have broadened the scope of projects undertaken by the Japanese to include limited operational facilities. We have been fairly successful at getting them to pick up labor costs. They will soon be paying 50 percent of labor costs.

Utility and communications costs are other types of things we are looking at.

I would like to see that approach continue and expand more than I would I like to see them build up their own forces beyond self-defense of Japan.

In Korea it is a slightly different story. We are breaking some new ground in Korea. They are repairing some aircraft for us. They do a fair job at constructing facilities. We are meeting with them this summer to try to broaden that, much like we have in Japan. We hope to get them to take more of the burden of the 2nd Infantry Division and the 7th Air Force.

Is there a bright light at the end of the tunnel? I think in Japan it is a little brighter. In Korea, hopefully we can brighten it up with our meetings and working the system.

General **Leland**. Sir, as you are well aware, there have been several studies done on that subject in the last year, to include one done by the alliance which is considered to be pretty good.

There is some variance among the members of the alliance. And a lot of them, to include ourselves, could do more.

The Germans have done a lot. This special host nation support arrangement we have with them where they provide military people and we share the cost of equipping the units is an excellent example.

The increase in the infrastructure funding, that has been substantial over the years, is another example of improvement. But there are still plenty of problems.

It is important that all 16 nations are in the alliance. A country like Luxembourg could double their resource contribution and it would have very little effect. But having them in the alliance rather than being neutral or against us helps.

Without going through all of the discussion about the nuisance of military forces, I will address that subject briefly because we are at an important time.

We have our best U.S. military equipment in Europe and we also keep the units in Europe in very good condition in terms of manning and training money and all of that. The priority is to the European theater. But our forces are garrisoned in very densely populated countries, and we are not there by ourselves.

The most graphic example is the Federal Republic of Germany. They have a pretty good sized army of their own. The Brits are there, the French are there, the Canadians are there, and the Dutch and Belgians are there along with the U.S. Army and Air Force.

So, there are 60 million people with a very high density of military forces that have to maintain an appropriate level of training readiness. It does not make any sense for this country or any other to invest in the very expensive systems and then not take advantage of their capabilities due to insufficient training.

And so what nations do to support the training of our forces and the forces of the other NATO nations in their country is also extremely important in addition to financial contributions.

Senator **Gorton**. Thank you, Mr. Chairman.

General **Stackpole**. If I might coattail on that, sir, I think it is important to understand on the maritime side of the house that burdensharing is significant, and in Admiral Kelso's hat is the Supreme Allied Commander, Atlantic.

Non-U.S. NATO forces provided over 40 percent of the destroyers and frigates, nearly one quarter of the nuclear attack submarines and maritime patrol aircraft and all of the general purpose submarines and the only two ASW carriers in existence to support the continuing care of the sealanes of communication and the force projection on the northern flank.

So, there is a significant contribution on the naval side from the European nations.

401ST TACTICAL FIGHTER WING

Senator DIXON. General Leland, I want to talk to you about the 401st Tactical Fighter Wing for a moment here. As you know, Spain did not want it there anymore, and so last year in the amended fiscal year 1989 budget request, the Defense Department announced its intention to deactivate the 401st, distribute its assets to existing units of the Air Force Reserve and Air National Guard here in the States.

If a new site for the unit could not be located in Europe—and I think that was generally supported here in the Congress—now, apparently we have made arrangements to transfer the 401st to Crotone. I think our cost that we have agreed to pay if this support in the Congress would be $467 million. Is that right?

General LELAND. Sir, depending on what estimate you want to use, it is in the vicinity of $400 million.

Senator DIXON. How do you reconcile this, General, with the fact that the Congress' clear intent was that we would not pay for this relocation in our discussions last year?

General LELAND. Sir, what I will give you is the soldier's perspective. That wing is very important to the war fighting capability of the European Command. Obviously there are a lot of aircraft, highly capable aircraft, in that organization, and it is by far the most significant U.S. unit garrison on the southern flank of the alliance. It is an extremely important force.

It is a nuclear capable force, which contributes to our war fighting capability and deterrence.

It is true that the move of that wing to Italy is going to cost the United States a lot of money, but it is costing the rest of the alliance a lot of money also, and the fact that Italy was willing to accept the wing is a significant burdensharing step on their part.

From a military perspective, there are a lot of advantages to retaining the wing in the theater.

Senator DIXON. Let me ask you this. Why did we not consider Comiso, Sicily? We have invested over $45 million there from NATO and $160 million from the United States for a base that is going to be outmoded as a result of the INF Treaty. How come there was no consideration of that developed area?

General LELAND. Sir, it was looked at along with several other locations. There was a combined effort between the United States and the Italians. As you know, there is no runway at Comiso. That, of course does not mean we could not build one.

Senator DIXON. Would a runway cost about $900 million? That is what you are going to spend at Crotone. Over a billion at Crotone, $595 and $467 is $1,062,000—you want to spend it.

General LELAND. The figures I have are a little lower than that, but the point is it is a lot of money, and it is close to $1 billion to go to Crotone, that is correct, sir.

Senator DIXON. $205 million spent at Comiso so far that is outmoded as a consequence of the INF Treaty which I supported. I am not quarreling about that. That was a step in the right direction. Nobody questions that.

One of the things that bothers me is when we talk about all this base closing, a few hundred million here and a few hundred million there closed down towns in America. Here is $1 billion one place and $200 million another place. Throw it in the ashcan. It does not matter over in Europe. And I do not understand our thinking in that respect.

General LELAND. Sir, I can assure you no one believes it does not matter, nor is there anyone who is not looking very hard for a good use for the investment we have made at Comiso.

It turns out the base is ideally located for the mission for which it was built. There are some shortcomings for some other applications. It is one of the latter ones to come down under the INF Treaty, and we were looking at a lot of things to try to come up with something that will be good to do with it.

THE PHILIPPINES

Senator DIXON. General Moore, let me jump to the Philippines with you for a moment along these same lines. DOD still wants what, $98 million this year for new sites in the Philippines at Subic Bay and Clark Air Force Base?

General MOORE. You are correct sir, I have 20 projects at $95.2 million.

Senator DIXON. I had $98 million here. Is it $95.2 million?

General MOORE. Yes, sir.

Senator DIXON. Thank you.

With all these negotiations on over there, the clearest signals we continue to get from them and so forth, I ask you whether you think it is a good idea for this subcommittee to consider investing about $100 million over there in view of all the circumstances.

General MOORE. Sir, as you remember, in 1989 we held $20 million from the projects there and only safety and security type facilities.

We need to program these projects but realize that, if negotiations don't look promising, we may need to delay commitment. At this point, remaining cautiously optimistic about the MBA we need authorization and appropriations for these projects.

Senator DIXON. I thought we authorized quality of life stuff last year. I remember you folks coming in and saying you did not even have plumbing and things.

General MOORE. We did construct those. The main concern is the security of our people in the Philippines. We are currently building safety and security facilities. We need housing to move our people on base for better security.

KOREA

Senator DIXON. Now, in Korea you are asking $135 million over the next 2 years.

General MOORE. Yes, sir, I believe that is the figure.

Senator DIXON. Do you foresee any substantial hope that we can reduce our forces there in the foreseeable future?

General MOORE. Senator, in the long-term I think there is always a possibility that we could move our forces out.

Senator DIXON. I mean with the dialogue going on now between North and South Korea, is there some hope that——

General MOORE. There is some hope. There is some light at the end of the tunnel. With the forward forces arrayed against us. Unless there is a change, I believe it will be some 4 or 5 years before the prudent war fighter would pull forces out. I think the air and naval forces as well as the intelligence and communication capabilities may stay longer.

So, to answer your question in the 1990 budget we have $86.4 million and I do not have 1991, sir.

Senator DIXON. I wonder if I could ask you and General Leland and General Stackpole to each give me your three highest military construction priorities for this coming year. The three highest.

General STACKPOLE. I will take that first, if you would like.

Senator DIXON. Thank you, General Stackpole.

General STACKPOLE. Our three highest in the Atlantic Command are the POL facilities in both Iceland and the Azores, which give us the stocks necessary to sustain in a wartime situation. The next is the Keflavik family housing situation, we have had a critical quality of life problem up there for some time. Third is Keflavik's fuel system maintenance capability—these are all vital to us because Iceland is the anchor for the Greenland-Iceland-Norwegian gap to continue to protect the sealanes of communication. So, those three items are most important.

Senator DIXON. I thank you very much.

General MOORE. Senator, I have on my list really seven top priorities. The over the horizon radar in Guam, the general purpose berthing in Hawaii, family housing in the Philippines, frozen blood facility in Korea, the fleet hospital in Adak, storage for the fleet hospital in Adak, and aircraft support projects, also in Adak.

Senator DIXON. Thanks very, very much.

General Leland.

General LELAND. Sir, if you restrict me to three, I would tell you that it is in Naples relocation. I do not know whether you have had a chance to visit there.

Senator DIXON. That gets mentioned as the first priority each year, General.

General LELAND. It is bad, sir, and needs to be fixed, so that would be first.

Army aviation facilities for Apache helicopters would be the second, and the third is the Air Force's substantial investment in air base infrastructure.

Senator DIXON. I thank you for that. I am willing to yield to my friend from South Carolina whenever he is ready, but until he is ready may I ask one more question?

That $10 billion cut, I will ask all of you, if I may, this simple question. Did you have certain programs or areas of the budget that should not have been cut out under any circumstances and if that is the case, do you feel comfortable that those areas were protected, your highest priority areas?

Do you feel in the case of every one of the four of you that those have been adequately protected? I do not want to put you on the spot, but we would like to know.

General LELAND. Sir, the answer from Europe is yes.

General STACKPOLE. The answer from LANTCOM is yes. If I may, just to make a comment on that, sir. We protected our readiness, sustainability, and our people programs in the amended budget. Although additional funds were added to the Navy and Air Force aviation spare accounts, it still funds only about half of our war reserve material requirement. Nonetheless, it represents our best efforts at a balanced approach within the limits of affordability.

In addition to protecting the aviation spares account, munitions procurement was also protected with the exception that Phoenix was terminated after the fiscal year 1990 buy. It will fill about 75 percent of the requirement; an acceptable risk in the funding environment.

We did add dollars for the MARK 82 general purpose bombs, which will permit continued use of live training ordnance. Development of AIM-9R, AAM, AMRAAM, SLAM and the Advanced Interdiction weapons system will be continued. The increase in fiscal year 1989 Sonobuoy funding will help inventory requirements problem peculiar to the Atlantic. That is a quick assessment from the Atlantic side, sir.

Senator DIXON. General Moore.

General MOORE. From the Pacific, the top priorities in the budget were quality people, forward strategy, readiness, sustainability, and efficient procurement as well as strategic modernization. Adequate medical support received more attention this year and we hold maintenance backlogs to an acceptable level.

Senator DIXON. General Patte.

General PATTE. Mr. Chairman, during the deliberations we have heard a little bit about the C-17 falling out, but it did not, and that was our main concern because we do have an airlift problem. The others were not war stoppers. We could live with the changes.

Senator DIXON. Okay. Now, this is the time. May I say to the four of you I am not trying to embarrass you, but if you have something on your mind that you really think is hurtful that we ought to know about, you understand when we finish this work after five subcommittee hearings, we go back and meet with the chairman, and we get our bogies and we try to figure out what to do here. And if somebody has something hurtful happen to them that they think they ought to speak up about, I think this is the time to do it.

If you do not want to do it publicly, you ought to be talking to the staff about it because if you have got some item there that is really a priority item that has not been treated right in your discussions, maybe even in places where you felt compelled to be quiet when you could have said a little more, you probably ought to be sending word to us now.

The Senator from South Carolina.

Senator THURMOND. Thank you, Mr. Chairman.

SOVIET/IRAN ARMS AGREEMENT

General Patte, recently the press reported that the Soviets and Iran have reached an agreement on arms sales to Iran. What type of arms do you expect the Soviets to provide to Iran and what are the implications of this agreement to your command?

General **Patte**. It concerns us very much, Senator Thurmond. We have no inside knowledge of the types of equipment that they are going to receive.

I can certainly tell you what they need. As we saw in the last drawdown or the last few months of the Iran-Iraq war, Iran lost an enormous amount of its mobile artillery, its self-propelled howitzers, and an enormous amount of its tanks.

The Iraqi forces decimated literally their armored forces in those last couple 4 to 6 weeks of the war. I suspect that that would be the kind of equipment which they would buy from the Soviets.

They may also get into the fighter business and attempt to obtain fighters for their air force which needs it drastically. So, those are the kinds of things that I would see them going out for, but I have no idea exactly what they will try to buy.

CONVENTIONAL AMMUNITION

Senator **Thurmond**. General Patte, sustainability of your forces is especially critical in view of the long supply lines that the Central Command faces. What is the percentage of your objective fill for conventional ammunition and what are your critical shortfalls?

General **Patte**. Yes, sir. In conventional ammunition, we have roughly for the level of effort munitions; that is to say the artillery, relatively noncomplex artillery pieces, we average roughly 36 percent on hand of what we should have dedicated to our mission.

As far as the sophisticated weapons, the percentages on hand are not that high because of their high cost. The 1990–1991 budgets will give us 3 more days of supply in the level of effort ammunition, both for 1990 and 1991, so we will get a little bit better. But, as I mentioned, we are about one third of where we should be in that area.

I can give you specific details, Senator, in the closed session if that is all right.

Senator **Thurmond**. Thank you.

Thank you, Mr. Chairman. That is all.

Senator **Dixon**. I thank you, Senator.

CROTONE

Could I get back to Crotone with you a minute, General Leland? Now, this is supposed to be a peacetime operating base, right?

General **Leland**. Yes, sir.

Senator **Dixon**. Well, many of us keep wondering with supersonic aircraft, why could we not station these aircraft back in the United States and then deploy them directly from our country to their wartime operating location when necessary.

General **Leland**. Sir, Crotone is obviously a lot closer.

Senator **Dixon**. Crotone is closer. It is a matter of closeness, a matter of degree?

General **Leland**. Sir, it is a fast airplane. I understand that point. But it is closer. There is also a strategic lift issue.

As I mentioned earlier, we cannot meet our commitment now, and there are things that come along with that wing other than the airplanes that would require strategic lift which we do not have enough of.

But I think more important by far than that is the importance of their presence. It is significant from both a deterrence and a war fighting point of view to have a powerful American unit like that wing located on the southern flank.

Senator DIXON. You see, last year you could live with it if you had to. Now, somebody jawboned the Italians to where they can live with it now. And, incidentally, I have got press clippings here. They are not real happy about it, but they are going to take it, I guess. But now that we can get it there, now we want to put it there.

You know, here was an opportunity, I think, in the public perception to bring some people home that we could have lived with and we could have done it, we could have saved a billion-plus dollars, and we could have been able to say I think to a lot of people who keep on saying why do you not try to do something here, we did a little something.

But, once again, we do not do it. And I have to say I respect you and I respect the fact that you are reflecting the opinion of your command and so forth. But it looks to me like a missed opportunity for doing something that we could have done and defended in most public places. That is the perception from this side of the desk.

You know, we go back home and hear this stuff all the time.

General LELAND. Sir, I do not know who said that they could live with it. To the best of my knowledge, that has never been the USEUCOM or the alliance's position. We have consistently emphasized the importance of retaining the 401st in the southern region.

Senator DIXON. Is it true that we are going to pay severance pay to Spanish local nations who lose their jobs with this transfer?

General LELAND. Yes, sir, it is.

Senator DIXON. They kick us out and we pay them severance pay?

General LELAND. Yes, sir, that is correct.

Senator DIXON. I love it.

General LELAND. The way that occurred is as I understand it——

Senator DIXON. In Germany they say the first guy gets the fine and the next guy gets a claim against the U.S. Government. In Spain they kick us out and we give them severance pay. I do not blame Americans for thinking we are damn fools when we go home and we talk to them in these meetings.

General LELAND. Sir, I can make two points, one relative to Spain. The treaties, the old one and new one, say that if something like this happens severance pay will be provided. It does not say who will pay. It does not say whether it is Spain or the United States.

The agreement for the United States to pay was a negotiated agreement made by our Ambassador who was the head of the team.

Senator DIXON. I want to say we are the worst negotiators in the world, so if it was negotiated, you know damn well we lost. We have not negotiated one we have won yet.

Senator THURMOND. Mr. Chairman, could I interject on that one question? Is that severance pay to the owners of the property, the country, or individuals who work there?

General **Leland**. Individuals who work there, sir, about 700 of them.

Senator **Thurmond**. Who negotiated that treaty? Did the Defense Department do that? The State Department?

General **Leland**. It was the State Department. It was Ambassador Bartholomew.

Senator **Thurmond**. They usually give away a lot of stuff at the State Department.

General **Leland**. Sir, they get some things, too. Although I was not there and I do not know what the pressures were on the Ambassador.

Senator **Dixon**. Pardon me, sir, I did not mean to interrupt you. What did you say?

General **Leland**. Sir, obviously I was not there at the negotiating table with him.

Senator **Dixon**. I would not be critical of you.

General **Leland**. The feedback is that in his judgment, with the give and take that was involved in the overall agreement, it was to the advantage of the United States to agree to pay. He felt there were more difficult issues on the table and if we haggled over severance pay the negotiations would drag out longer and it would be worse for us.

The amount of money involved, as I understand it, is at the very worst case, $12 million and that there is a very good chance it is far less than that. The people involved work for the government of Spain and they are going to try very hard to relocate them to another job.

MAINTENANCE FUNDING PROFILES

Senator **Dixon**. General Moore, on page 19 of your statement you say that maintenance funding profiles will require us to park aircraft and combat vehicles for lack of repair. Do you mean this year or next year?

General **Moore**. Sir, I believe we are doing some of that this year because of the maintenance backlog. As you know, back in about 1987, 1988 timeframe, Defense Department made the conscious decision to allow the maintenance backlog to build so they could protect op tempo.

They have continued but leveled off in the 1990 timeframe. There are some vehicles and aircraft as they await maintenance at the depots, being parked against the fence, yes sir.

SPARE PARTS SHORTAGES

Senator **Dixon**. Has there been any increase in cannibalization rates because of spare parts shortages, would you say?

General **Moore**. Sir, in the whole area of spares we are at the top of the curve. I have talked to all service, maintenance, avionics, ordinance, and supply officers. They have indicated that in a 14 to 18 months timeframe we will see more cannibalization, more movement of parts, and shelves starting to get bare.

The backlog of maintenance on those individual black boxes is going to grow.

General **Stackpole**. I would also echo that, sir. Because the war reserve spare kits and the base level self-sufficiency spares were 100 percent funded in fiscal year 1984 and 1985, we have been able to maintain our high readiness levels.

However, for the past 4 years we have dropped to 75 percent funding in 1986, 40 percent in 1987 and zero in 1988 and 1989. Now 20 percent of the requirement is funded in fiscal year 1990. So we are seeing the slippery downslope of what is going to happen as deliveries of war reserve stocks diminish, coupled with the potential for drawing from WRM to support peacetime operations.

General **Moore**. Senator, you asked a question before to ensure our readiness concerns are understood. I would say that maintaining and achieving a balance as we start to cut down, we need to cut smart.

We need to buy black boxes, individual ordnance items, and things like that as well as the flashy F-15s, F-16s, F-18s and so forth. Medical equipment is also something which we badly need.

I would ask you to ply every power to make sure that we do this in a balanced way and prevent a hollow force.

Senator **Dixon**. I want you to know I certainly agree completely with the statement you are making. It may interest you to know, believe it or not, that in our meetings of subcommittee chairmen with the Chairman over the last couple of years since we have been in this flattening out phase—which now seems to be obviously going into a decline phase—we have been trying to find ways to do the right things with depot maintenance, real property maintenance, ammo and a lot of things that are very unsophisticated and not esoteric things the public is not excited about, but we know you care about. We want you to know we care about these as well.

REAL PROPERTY MAINTENANCE

Regrettably, we continue to see this kind of overwhelming us. I want to talk about real property maintenance, if I could. We have a chart here that scares the dickens out of some of us. We did a lot of these charts last year.

I guess the charts will get worse and worse, but maybe we can take a look at one here. The backlog of maintenance and repair here, I think, is pretty overwhelming. Is that clear enough? Can you see that? How that is going to go up from 1986? You can see—is that almost tripling, I guess?

General **Leland**. Yes, sir. The low point there reads 1031 and the high point looks like it is 3534.

Senator **Dixon**. We have the largest troops under your command there, General Leland. I guess you would agree with the problem we have here. According to this chart the backlog of real property maintenance in the Army more than triples from 1987 to 1991. Is that right?

General **Leland**. Yes, sir. As you look at the readiness budget you will find that Army operating tempo and the other mission money that provides flying hours for aircraft steaming hours for ships has been protected at an adequate level.

But if you look at the overall operations and maintenance account and take into consideration the modernization that is going on in all the forces which makes things a lot more expensive to do, the way that we are maintaining the mission money is by cutting funds available to run and maintain our installations which will have a definite readiness impact.

Senator DIXON. You are going to see these charts going up, cannibalization, cross-decking, all of that sort of thing, lack of ammunition.

General LELAND. If you do not have the money to hire the civilians that you need to run the installations, there are certain services that still have to be provided. Commanders are going to provide at least some minimum level of support to their people. Sometimes the only solution is to divert military manpower to do things other than what we enlisted them for and that is a bad thing.

The other bad thing is that in that same sort of logic, commanders can be forced to reprogram money out of the mission category into base operations. The point being there is a readiness impact associated with these shortfalls.

Senator DIXON. I think that is readily understandable. I have more questions I will give you gentlemen, if you do not mind, in writing for you to answer that will be a great accommodation to the subcommittee. If we could excuse everybody that is not cleared for classified session, then we will have a couple of minutes from each of you and some things you have got on your mind in that regard.

[Whereupon, at 3:44 p.m., the subcommittee proceeded in executive session.]

EXECUTIVE SESSION

The subcommittee met in executive session, pursuant to recess, at 3:44 p.m. in room SR-222, Russell Senate Office Building, Senator Alan J. Dixon (chairman of the subcommittee) presiding.

Committee member present: Senator Dixon.

Committee staff members present: Richard D. DeBobes, counsel.

Professional staff members present: Robert E. Bayer, David S. Lyles, and Michael J. McCord.

Minority staff members present: Romie L. Brownlee, deputy staff director for the minority; Ronald P. Kelly and George W. Lauffer, professional staff members.

Staff assistant present: Mary J. Kampo.

Committee members' assistants present: Charles C. Smith, assistant to Senator Dixon and Eric H. Thoemmes, assistant to Senator Coats.

Senator DIXON. Again, gentlemen, we thank you for coming. It is my understanding that each of you would like to take a couple of minutes to suggest some things in the classified area that would be informative to us, and if you would proceed, General Leland, we will go right down the line.

General LELAND. Yes, sir. I just have four paper charts which we also have copies of which I would like to pass around.

[Pause.]

General LELAND. Sir, I know that you are generally familiar with this. The significance of the first chart (chart 1) is to define the terms. Obviously, C–1 is good, C–4 is less good. C–5 is kind of a special category for those units undergoing reorganization. It is neither good nor bad.

Chart 1

READINESS LEVELS

C1	UNIT POSSESSES THE REQUIRED RESOURCES AND IS TRAINED TO UNDERTAKE THE FULL WARTIME MISSION FOR WHICH IT IS ORGANIZED OR DESIGNED
C2	UNIT POSSESSES THE RESOURCES AND HAS ACCOMPLISHED THE TRAINING NECESSARY TO UNDERTAKE THE BULK OF THE WARTIME MISSION FOR WHICH IT IS ORGANIZED OR DESIGNED
C3	UNIT POSSESSES THE RESOURCES AND HAS ACCOMPLISHED THE TRAINING NECESSARY TO UNDERTAKE MAJOR PORTIONS OF THE WARTIME MISSION FOR WHICH IT IS ORGANIZED OR DESIGNED
C4	UNIT REQUIRES ADDITIONAL RESOURCES AND/OR TRAINING TO UNDERTAKE ITS WARTIME MISSION; IF THE SITUATION DICTATES, THE UNIT MAY BE DIRECTED TO UNDERTAKE PORTIONS OF ITS WARTIME MISSION WITH THE RESOURCES ON HAND
C5	UNIT IS UNDERGOING A SERVICE-DIRECTED RESOURCE ACTION AND IS NOT PREPARED, AT THIS TIME, TO UNDERTAKE THE WARTIME MISSION FOR WHICH IT IS ORGANIZED OR DESIGNED

A significant change from our previous system is that C–4 does not say "not ready." We will use units that are in a C–4 status if we need them.

6

Chart 2

RECAP

RESOURCE AREA

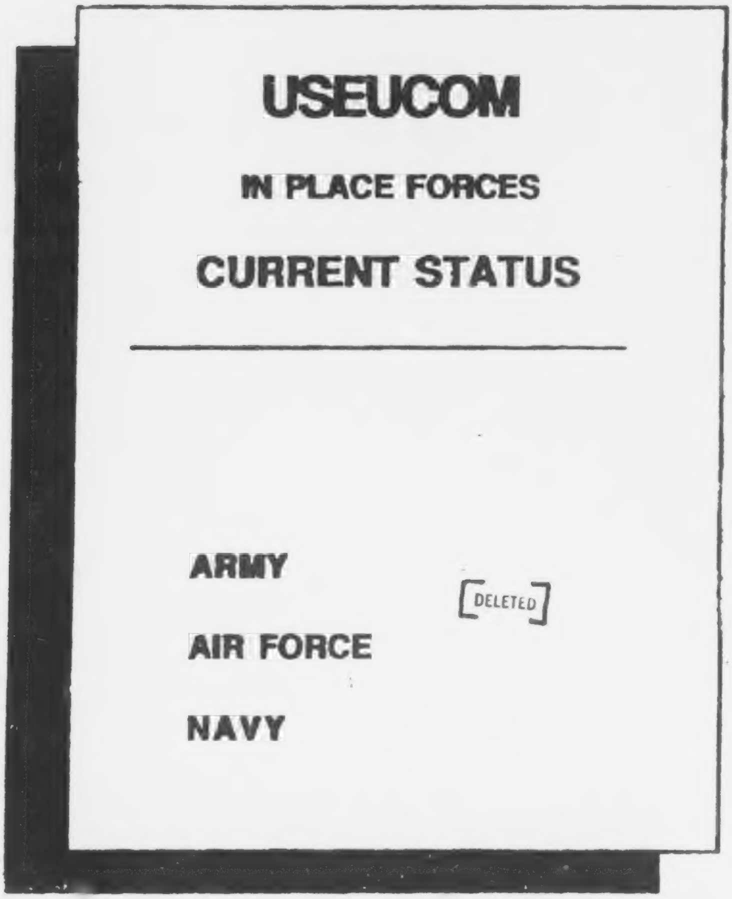
	PERSONNEL	EQUIPMENT	TRAINING
C - 1	90 - 100%	90 - 100%	0 - 14 DAYS
C - 2	80 - 89%	80 - 90%	15 - 28 DAYS
C - 3	70 - 79%	65 - 79%	29 - 42 DAYS
C - 4	< 70%	< 65%	> 42 DAYS

EXAMPLE : UNIT HAS 95% PERSONNEL = C - 1
UNIT HAS 88% EQUIPMENT = C - 2
UNIT CAN TRAIN IN 10 DAYS = C - 1

OVERALL RATING WILL BE C - 2

The second chart (chart 2) is just a recap of some rough percentages. The system is more complicated than shown. There are many different types of equipment that are evaluated and they are not all weighted the same. It is the same with people. We look at training of people and the percentage of leaders who are present and that sort of thing. This gives you a general idea of what gets you where.

Chart 3



USEUCOM

IN PLACE FORCES

CURRENT STATUS

ARMY

AIR FORCE

NAVY

[DELETED]

The third chart (chart 3) is a snapshot of the in-place forces and where we are right now. What it shows you is that [deleted]. That is very good. It has improved a little over time, but it has essentially been good.

Chart 4

USEUCOM
ARMY INPLACE & REINFORCING UNITS

PERCENT

[DELETED]

1985 1989

YEAR

The last chart (chart 4) compares 1985 to 1989. In this case the date includes the in-theater forces and reinforcing forces with much of the latter being in the Reserve components. This is a much more comprehensive comparison, and the attempt here is to point out trends.

In this chart, goodness is on the bottom. In other words, C–1 is the first thing you see, then C–2, then C–3 and on up, and what you will see clearly is that [deleted]. You can see the improvement in C–2 and C–3. So the category 1 through 3, has become markedly better.

But even more significant, if you look at [deleted]. It has been reduced by over 50 percent. That is in part because of the improvements in C–1, 2, and 3, and also because of the increase in C–5. As I mentioned, C–5 is the status we assign to those units which are being reorganized or modernized. Many of these C–5 units are our active component units which are in very good shape. So when their reorganization/modernization is complete, almost all of them will move into the C–1, 2 or 3 category. Most of them will become C–1 or C–2. The main point of this chart is the [deleted]. Sir, that completes my presentation.

Senator Dixon. General Stackpole.

General Stackpole. Sir, I have two slides which we will put up on the screen. I have copies available for each of you.

SORTS COMPARISONS

		1-88	2-88	3-88	4-88	1-89
CLF	%C1					
(SHIPS)	C2					
	C3					
CLF	C1					
(AIR)	C2					
	C3					
AFLANT	C1			[DELETED]		
	C2					
	C3					
ARLANT						
ACTIVE	C1-C3					
NG	C1-C3					
RESERVES	C1-C3					

[redacted]

The first is our sorts data, which gives you an overview of our current readiness using the same criteria, of course, that General Leland used. Again, our percentage of Army forces is very, very small, so it is a skewed picture when you look at it because it is dependent on Army Reserves.

Senator DIXON. Do you all use the same classification—C-1 through C-5?

General STACKPOLE. Yes, sir.

Senator DIXON. C-5 is a new one this year, is it not?

General LELAND. No, sir.

Senator DIXON. I do not recall that one. I guess you did not refer to it in past years.

General STACKPOLE. It is only used when a ship is in an overhaul or a squadron is converting to a new aircraft. It is a category that has not previously been highlighted, but as force levels get critical, units reporting C-5 start to take on added dimension.

[redacted] LOGISTICS SUSTAINABILITY

The next slide that we need to show you, sir, is a look at our overall logistics sustainability. The breakout for you in each one of those columns, represents 80 percent, attributed to Navy, 15 percent Air Force, and Army 5 percent, for a total 100 percent of our components.

This shows that we have seen the "high water mark" in readiness and sustainability, unless we safeguard current budget submittals. Spares and POL are in fairly good shape. However, we have to counter those who would severely curtail the budget in those areas because it does impact readiness and sustainability.

We are still continuing to receive goods that were funded in prior years. We are not inducting as many repairable spares into our overhaul lines and limiting the buy of spares for our newer systems. At the same time we are not able adequately to spare recently-modified Air Force systems.

We see local commanders working harder to keep their operational readiness rates up. Aircraft cannibalization is definitely on the rise, as you implied earlier. This is a bad omen and we have to watch it. It is cause for concern at this point, but not necessarily alarm.

Munitions are sustaining themselves in prior years' funding. Budgets are in place to continue improvements at this point, but we have to safeguard these planned budgets, particularly in the vital threat munitions side of the house.

What we are basically facing with the budget, however, is the challenge to maintain readiness and improve sustainability. We know that force structure is being looked at constantly. Now, we have to begin to match the force structure strategy with commitments to readiness and sustainability of the planned forces. This requires a delicate balance of budget strategies which will require greater consideration in our budget deliberations.

Senator **Dixon**. General Moore.

General **Moore**. Senator, I would like to submit four charts for the record, if somebody would pick them up. While he is getting those, let me make a comment.

There are also sorts data. We need to be very careful just looking at individual percentages. As you know, a lot of those percentages tell stories. Units are refitting their change in table of organization or table of equipment. And moreover you need to clearly understand what the commander's comments are on those individual statements.

Chart 1

USPACOM COMPARATIVE READINESS
ANALYSIS

	1987	1988	NET CHANGE (C1-C3)
DEPLOYED SHIPS			
NON-DEPLOYED SHIPS			
DEPLOYED SQDNS			
NON-DEPLOYED SQDNS			
USMC COMBAT			
USMC SQDNS			
FSSG'S (USMC)		[DELETED]	
PACAF SQDNS			
PACAF SUPPORT			
ARMY MANUEVER			
ARMY DIV SUPPORT			
WESTCOM			
EUSA			

But, having said that, the first document (chart 1) you have in front of you is really a comparison of 1987 and 1988, and a net change in category. I can talk for a long time on each and every one of those, but the major point here is you see a lot of pluses, very few minuses and very few deviations.

[redacted]

Chart 2

USPACOM COMPARATIVE READINESS

ANALYSIS

	1988	(Q1/Q2 FY89) 1989	NET CHANGE (C1-C3)
DEPLOYED SHIPS			
NON-DEPLOYED SHIPS			
DEPLOYED SQUADRONS			
NON-DEPLOYED SQUADRONS			
USMC COMBAT			
USMC SQUADRONS			
USMC SUPPORT			
PACAF SQUADRONS			
PACAF SUPPORT			
ARMY MANEUVER			
ARMY DIV SUPPORT			
WESTCOM			
EUSA			

[DELETED]

If you take a look at the next chart (chart 2), which takes 1988 to the first and second quarter of 1989, you see all minuses and greater deviations. Again, I can explain a lot of these, but many are exactly what General Stackpole mentioned. Spares are starting to run short, training dollars are starting to run tight. People programs such as military occupation specialty (MOS) training are not being done and those type of things.

Chart 3

AMMUNITION SUSTAINABILITY

	LEVEL OF EFFORT		THREAT	
	REQ	DOS	REQ	%
PACFLT				
FMFPAC				
PACAF				
EUSA				
WESTCOM				
ALEUTIANS				

[DELETED]

The third chart (chart 3) you have is ammunition sustainability.

Senator DIXON. Are those a direct result of O&M shortages?

General MOORE. Some of that is O&M shortages. Other is modernization of individual pieces of equipment. For example, the Marines are getting brand new F-18s and AV-8s in replacement for their F-4s and A-4s.

In the Army, the Army of Excellence table of organization has been changed, but because of the drawout of procurement the individual pieces of equipment or the training for those people have not caught up with that reorganization change, especially in Korea.

In ammunition sustainability, again, you have the percentages in threat, and the days of supply, in level of effort. You could take that apart and talk about individual weapons systems, as others have done. Some of those are reaching the shelves now. One needs to be careful on those percentages.

Chart 4

SPARES IMPACT

COMMAND	FY90	FY91	FY92
PACFLT			
FMFPAC			
PACAF			
EUSA			
WESTCOM		[DELETED]	
COMUSJ			
ALEUTIANS			

The fourth (chart 4) and the last one is exactly what you and I were talking of before and leads directly to your question, and that is the spares impact. You can see the 1990, 1991, and 1992. You see that almost across the board we start to lose 1 or 2 days of supply as we go out into the outyears.

Senator DIXON. That is not a very happy outyear experience we are looking at.

General MOORE. No, sir. But I think it presents the real world as we see it in the Pacific.

Senator DIXON. Okay. Thank you, General Moore. General Patte.

General PATTE. Mr. Chairman, I also have one chart which I will furnish to the committee. I would like to make four points before I go through just a few of the figures.

"C" STATUS OF CENTCOM UNITS

	C-1	C-2	C-3	C-4	C-5
ARMY					
COMBAT					
SUPPORT					
AIR FORCE					
COMBAT					
SUPPORT					
NAVY					
COMBAT					
SUPPORT					
MARINES					
COMBAT					
SUPPORT					

Number one, all of those units denoted include both Army active and Reserve component forces, and that goes for all of the services.

Number two, all of the forces depicted really belong to someone else. As you know, CENTCOM has no troops deployed overseas except for the Persian Gulf operations right now, so most of the Army forces belong to the Forces Command and the Navy, Air Force and Marines also do not belong to Central Command until the contingency actually happens. However, we are very much interested in units, obviously, and we do keep monthly and quarterly statistics on them.

The third point on the chart. This includes units which are quite small, from a five-man well-digging detachment all the way up to company and battalion level. So particularly as it applies to the support units you have all kinds of different types of units which probably should be weighted differently.

Let me say first off that all of the divisional forces, the combat forces, to include the support and combat support, service support elements within the divisions are [deleted].

The large number of [deleted] which you see under the [deleted] column for support in the Army is largely in the Reserve components, as I mentioned in my prepared testimony. We have got [deleted] of those units reporting [deleted] because of personnel training and MOS problems, as I alluded to also in my oral statement, with only [deleted] because of equipment. We do expect the equipment category to be taken care of in the near future. But the personnel problem I think will remain with us for some time.

Insofar as the types of units we are talking about that are in the preponderance of the [deleted] category, we are talking about [deleted]. So that gives you a broad feeling for our sustainability insofar as the units are concerned.

Senator DIXON. Gentlemen, I want to thank you very much for your cooperation both in the open and classified session of the hearing. Again, if there is any time we can be of service to you in the process of the subcommittee and committee markups on matters that are matters of grave concern to you, feel free to contact our staff.

Thank you very much. The subcommittee is adjourned.

[Questions for the record with answers supplied follow:]

QUESTIONS SUBMITTED BY SENATOR ALAN J. DIXON

FUNDING ARRANGEMENT FOR FAMILY HOUSING, CROTONE

Senator DIXON. General Leland, part of the overall agreement for the funding of construction of the new air base at Crotone, Italy, was the NATO prefinancing of 2,500 units of family housing at a sum of $181M. It is my understanding that the United States will repay this interest free loan over a period of 10 years.

Since the United States pays about 28 percent of all NATO infrastructure expenses, I believe that we will pay about $51M of the initial, prefinancing expense. Then, over the next 10 years, we will repay the entire $181M. It seems to me that this arrangement requires the United States to pay a total of $232M for $181M of housing, and that we are essentially paying our 28 percent share, $51M, twice.

Is this the case? Why would the United States agree to such an arrangement?

General LELAND. No. The family housing is a U.S. venture costing $181M. The United States will borrow that $181M from the NATO common fund as an interest free, inflation free loan. Regardless of the repayment period or our percent "ownership" in the funding source, we are obligated to repay 100 percent of the loan. This arrangement is analogous to a loan obtained from a Credit Union in which the borrower is a member with a substantial share holding.

In this case, the initial cost of the family housing is paid with NATO common funds, of which the United States has contributed 28 percent. At the end of the repayment period, the NATO common fund has been replenished, including the 28 percent U.S. contribution. These funds then get used on NATO projects (perhaps the NATO funded portion of Crotone).

INSTALLATION PRIORITY LIST

Senator DIXON. General Leland, in your prepared statement and in later questioning, you mentioned that EUCOM was conscious of the possibility that some U.S. forces might leave the theater in the coming years, and that MILCON projects were, in many cases, designed to support indeterminate force sizes, e.g., the combat maneuver range.

Regarding other modernization projects such as barracks and motor pools, does the command have an installation priority list against which it directs most of its scarce modernization resources, or are you modernizing all installations equally despite the potential reduction of the installation infrastructure in the years ahead? Are you thinking ahead so that those installations most likely to be retained are modernized while improvements at the most obvious closure candidates are deferred?

General LELAND. Senator, the Command does not have an installation priority list which is used to tell our component commands where to program new construction. While we do not have a "centralized list," we are absolutely not modernizing all installations equally, and our component commands are actively considering troop reduction proposals when they build their MILCON program.

For example, USAREUR has 39 military communities composed of 848 installations, and, for fiscal year 1990, we are proposing new construction at only 15 installations (does not include Wartime Host Nation Support sites). Furthermore, when USAREUR's fiscal year 1990 MILCON budget was reduced 41 percent in President Bush's revised budget, USAREUR restructured their fiscal year 1990 and fiscal year 1991 programs. Priority was given to those projects at training, aircraft, and large consolidated installations. Additionally, all the projects in their revised programs will provide facilities which are needed, and which will be used, even if troops are withdrawn from Europe. Finally, USAREUR will, during July 1989, completely rebuild their fiscal year 1992 to fiscal year 1997 MILCON programs taking into account possible future troop reductions.

QUESTIONS SUBMITTED BY SENATOR SLADE GORTON

TEN-DAY COMMITMENT

Senator GORTON. General Leland, on page 6 in your discussion on the readiness of forces in Europe, you point out we still have a shortfall in providing the divisions and tactical fighter squadrons in ten (10) days. We accepted this commitment some time ago.

Should we change the requirement to one that is more likely of achieving?

General LELAND. The United States has had the commitment to provide 10 divisions and associated air forces to NATO within 10 days of a decision to do so since 1978. NATO's primary objective is to deter Warsaw Pact aggression and, if necessary, to defend against any attack on its territory or interests. The fulfillment of the United States' commitment will be an important contribution to NATO's capability to meet its objectives. The fact that we cannot now fully meet that commitment is not a good reason to abandon the goal. The President's budget keeps us on track toward meeting our goal through the funding of the C-17 and the filling of pre-positioned stocks.

READINESS

Senator GORTON. General Leland, on pages 13 and 14 in your conclusion, you sound a warning about further cuts in readiness accounts.

On the other hand, people are calling for cuts in these accounts because of the immediate outlay value of O&M funds. They also feel they are the easiest to catch up—feeling readiness can be quickly regained with future funding.

Would you comment on the ability to catch up and the lead times necessary to turn on and regain readiness levels?

General LELAND. Cutting readiness accounts means that our people do not operate their equipment, fly their aircraft, and/or practice their skills as much as we want. The opportunity costs are enormous. Lost leadership opportunities, experience levels, and professional development cannot be turned on and regained. Low readiness levels also signal our best people that they ought to go elsewhere for challenging, fulfilling jobs. Cutting readiness to pay the bills and preserve some other piece of the budget is a bad idea.

TRANSFERRING MISSIONS TO THE RESERVE COMPONENT

Senator GORTON. Later this month we will hold a hearing to review possibly transferring more missions to the Guard and Reserve forces.

Given the current problems in meeting already assigned missions, do you believe this is the time to be transferring more missions from the active forces?

General LELAND. When our command makes its military force reinforcement requirements known to the Department of Defense, we do not specify whether those forces ought to come from the Active or Reserve components. Instead, we request forces that are properly organized, trained, equipped, and available in a timely manner. Within budget constraints, the military services meet those requirements. The services and the commanders of the Reserve Forces are in the best position to determine if the Reserve components can effectively absorb any additional missions and meet our criteria.

ALLIED CONTRIBUTIONS

Senator GORTON. General Stackpole, on page 6, while discussing our Allied Forces, you list some of the forces our allies are using to support us in the Atlantic. You make the point that we could not do it alone.

Many here in the United States are calling for increased contributions from our allies. They feel our allies should be doing more to meet their defense needs and if they do not, the United States should reduce our contributions to the various alliances.

What is your opinion of these calls for increased contributions and whether threatening to reduce our spending has much effect on what the allies will do?

General STACKPOLE. Before any overall call for increased allied burdensharing is made, we should review some of the facts. The naval arena is certainly an area of overall success in terms of appropriate sharing of the NATO burden. Allied countries continue to provide excellent support to the NATO naval effort. Our allies provide 100 percent of all mine countermeasure ships, 100 percent of our diesel submarines, over 50 percent of all reinforcement and resupply ships, and almost 50 percent of all escort ships. It is difficult to split out naval burdensharing from overall burdensharing as some of our NATO allies are historical land powers and provide much to NATO in the form of land forces, air power and garrisoning facilities, while providing less sea power. To look at a particular nation's naval contribution alone is far too narrow an approach. For the same reasons that we do, our allies base their naval efforts on their NATO and national commitments. Most of our allies perceive that they have less of a global commitment than the United States and their naval structure reflects this. The allied navies are strong in escorts, mine countermeasure ships, diesel submarines and reinforcement/resupply ships. They are purposefully weak in carriers, nuclear submarines, battleships, and other larger size, power projection combatants. Most allied nations continue to try to meet NATO defense spending objectives, but there are already signs of slippage. The Gorbachev initiatives have impressed the European public. The United States is an obvious leader in NATO spending, and most allies look to us for guidance. Threats to reduce our spending will have opposite to the desired effect as most allies will claim that if the United States feels less spending is appropriate, they will follow suit. In the NATO arena, threats and pressure tactics among friends usually have very negative results.

OPERATIONAL REQUIREMENTS

Senator GORTON. General Stackpole, on pages 6–9, you discuss the operational deficiencies in your area. You point out that if the United States were to meet them, a redistribution from other geographic areas would be required. This calls into doubt our ability to fight in multiple areas at the same time. Should some of the deficiencies be met by other countries in your area or should our commitments be reduced to fit our forces?

General STACKPOLE. Operational requirements are based on an assessment of the threat facing the United States. When our current forces were funded, their requirement was based on a wartime threat to the United States.

There are some positive signs that the Soviet threat is being reduced. If this trend is realized, it might be appropriate for U.S. military commitments overseas to reduce accordingly. The DOD, however, must ensure that there is, in fact, a reduced threat. I would recommend caution before military commitments are reduced. We must deal with realities, not perception.

The other part of your question is whether other nations could increase military funding in the Atlantic? Our allies currently provide excellent support to the NATO effort in the Atlantic. Other nations rely on the United States for certain capabilities, such as aircraft carriers; and we rely on them for their strength in escorts and mine countermeasure ships. This mutual support has worked well. For further information, I recommend a report already provided to Congress by previous Secretary of Defense, Carlucci,"Report on Allied Contributions to The Common Defense" March 1988.

SECURITY ASSISTANCE

Senator GORTON. General Stackpole, on page 14, under heading of Security Assistance, you point out the need for increased funding in this area, especially in the Caribbean. Admiral Crowe has also requested additional funds for these accounts. You mention the $10–12 million needed.

Are these funds in the current amended budget request? If they are, are they in the DOD or State Department portion of the request? If the funds are in the State request, are these funds critical enough to fund in the DOD request, as a last resort?

General STACKPOLE. Yes, funds in the amount of $12 million are in the current fiscal year 1990 budget request. They are in the State Department portion of the request. I have already stated that further reductions or changes to the basic composition of the current amended DOD budget could substantially accelerate a decline in military capability. However, the Caribbean is so critical to hemispheric synergy and strategic significance that I would support funding it in the DOD request if it is unsuccessful in the State request.

PERSIAN GULF

Senator GORTON. General Patte, on pages 3–5, comments on Persian Gulf operations are presented. These operations have been a drain on operations in other geographic areas and funds.

With the reduction of operations in this area, do you feel that the funds will be again better distributed to other regions and for training exercises?

General **Patte**. Funds for support of Persian Gulf operations come from several sources. Some are specifically authorized and appropriated by Congress to support Persian Gulf operations, others are diverted from service programs and some are provided by the GCC countries as contributions "in kind", primarily free fuel. As Persian Gulf operations are reduced, the only funds that will become available for redistribution are those diverted from services. Historically, these funds have come from: deferral of maintenance and spare parts purchases, base operations and maintenance, funds from unexecuted programs, delaying of system modifications, and slowing down of missile and ordnance rework. Funds that become available will be funneled back into these programs in order to renew some deferred efforts and recover from lost opportunities over the past 2 years.

SOVIET THREAT

Senator **Gorton**. General Moore, on pages 1–8, you are making the point that Soviet proposals in Europe are not reducing the threat in the Pacific. You are also making the points of how increasingly important the Pacific area is to the security of the United States.

Do you feel the arms talks should consider the Pacific imbalances when reaching new agreements? Or do you feel there should be a separate set of talks for the Pacific area?

General **Moore**. The Soviet Union faces a compelling urgency to shift resources from the military to the economic sector giving us an unprecedented opportunity for arms reduction. But, we need to be careful.

We see, too often, Soviet asymmetric arms reduction proposals or qualitative Soviet force modernizations following arms cuts, which are not in our best interest. We are presently using the correct approach with the conventional talks in Europe and with START.

Because the Pacific is of great economic significance to the United States, we must maintain strong maritime forces to protect our vital interests there. We require adequate forces to ensure perpetuation of the strong links we have in Asia and in the South Pacific. If arms control efforts are successful in reducing strategic and land forces, we need to be prepared for all proposals relating to maritime forces. However, before entering negotiations we must continue to keep in mind our own interests and regional stability.

I support our present negotiating strategy recognizing the current geostrategic and military balance which argues against the agreement to include maritime forces in the various ongoing or upcoming negotiations.

[Whereupon, at 3:57 p.m. the subcommittee adjourned.]

DEPARTMENT OF DEFENSE AUTHORIZATION FOR APPROPRIATIONS FOR FISCAL YEARS 1990 AND 1991

FRIDAY, MAY 12, 1989

U.S. Senate,
Subcommittee on Readiness,
Sustainability and Support,
Committee on Armed Services,
Washington, DC.

AMENDED 1990-91 DEFENSE AUTHORIZATION REQUEST

The subcommittee met in open session at 9:12 a.m., Senator Alan J. Dixon (chairman of the subcommittee) presiding.

Committee members present: Senators Dixon, Levin, Thurmond, and Gorton.

Committee staff member present: Daniel G. Sakura, research assistant.

Professional staff members present: Robert E. Bayer, David S. Lyles, and Michael J. McCord.

Minority staff members present: Ronald P. Kelly and George W. Lauffer, professional staff members.

Staff assistant present: Mary J. Kampo.

Committee members' assistants present: Charles C. Smith, assistant to Senator Dixon; Kenneth N. Luongo, assistant to Senator Levin; Terrence M. Lynch, assistant to Senator Shelby; and Robert M. Soofer, assistant to Senator Gorton.

OPENING STATEMENT OF SENATOR ALAN J. DIXON, CHAIRMAN

Senator Dixon. I apologize to everyone for being just a few minutes late. Ordinarily I am punctual as Vince Lombardi used to be. But I say to my friend the ranking member and to each of you that one of the things you have to remember in this life is that friends are important.

And Galen Reser, who was the chief legislative assistant to my then distinguished colleague in the U.S. Senate, the senior Senator in those days, Chuck Percy, was up for confirmation around the hall in the Commerce Committee this morning for a high post in the Transportation Department under Sam Skinner.

I deemed it my privilege and my obligation to go over there and say some kind words about him in the confirmation process. I hope, Slade, that you will forgive me for keeping you waiting a few minutes as well.

Senator GORTON. It is the first time I have been here on time. [Laughter.]

Senator DIXON. The Subcommittee on Readiness, Sustainability, and Support meets this morning to continue our hearings on the amended fiscal years 1990–91 defense authorization request.

On Monday we heard from the designated representatives of four of our major Unified Combatant Commands. This morning we will hear from two panels. The first panel will be the senior logistics commanders of the Army, Navy, and Air Force, and these commanders are responsible for ensuring that weapons systems are overhauled on schedule and that the spare parts for peacetime and wartime operations are on the shelves when and where they are needed.

Gen. Louis C. Wagner, Jr., is the Commander of the Army Materiel Command, Gen. Alfred G. Hansen is the Commander of the Air Force Logistics Command, and Vice Adm. Stanley R. Arthur is the Deputy Chief of Naval Operations, Logistics, in the Office of the Chief of Naval Operations.

Following this first panel we will hear from representatives of the General Accounting Office concerning their review of the asset capitalization program in the Defense Department.

And I might say at this time, it may be necessary for me to leave the committee hearing in about an hour, because I am managing the debate on our side on the FS–X memorandum of understanding on the floor. I will have to leave, but I understand that one of my colleagues, perhaps Senator Levin, will accommodate me by chairing beginning at that time.

Gentlemen, we welcome you back to the subcommittee this year. We appreciate your being here this morning. Your full statements will of course be included in the record. We will have questions after you have given your oral testimony, and I believe we can conduct the entire hearing this morning in open session.

However, we will reserve a few minutes at the end for a closed session, if necessary to discuss any classified matters that may come up. May I say to you that we like to adhere to a 10-minute rule on testimony, if it can accommodate you well enough.

And before you begin, may I recognize our distinguished ranking member, Senator Gorton, for any opening statement he may have.

Senator GORTON. Thank you, Mr. Chairman.

I too wish to welcome the witnesses to this hearing today. I note in their statements for the record that there is genuine concern about the readiness and sustainability trends now as a result of a decreasing level of funds. Each of the witnesses makes the point that readiness measures have leveled off and that some are even declining.

They also feel that the funding is on the margin for meeting minimum needs. Just as we heard from the CINC representatives recently, two positions are clear from the statements.

First, minimum funding levels do not correct current readiness shortfalls; and second, if the funding levels are cut further, U.S. military capability will be affected directly.

I note that all service witnesses support the asset capitalization program and recommend that it continue. I hope to get a position on that from the GAO witness later in the hearing.

I also must say, Mr. Chairman, I have one of the same problems you have this morning. I need to be down on the floor before 10 o'clock during morning business, and hope I will be able to return.

Senator DIXON. I thank you, Senator.

Senator Thurmond has a prepared statement which he has submitted for the hearing record.

[The prepared statement of Senator Thurmond follows:]

PREPARED STATEMENT BY SENATOR STROM THURMOND

Thank you Mr. Chairman: I join you in welcoming our distinguished panel to today's hearing on the services' abilities to meet the peacetime and wartime logistic requirements.

Today's warfighting capabilities depend on a large support base in terms of people, facilities, and supplies. Thanks to President Reagan's budgets the services are now better prepared in this area. However, as we heard at Wednesday's presentation by the General Accounting Office the progress could have been greater.

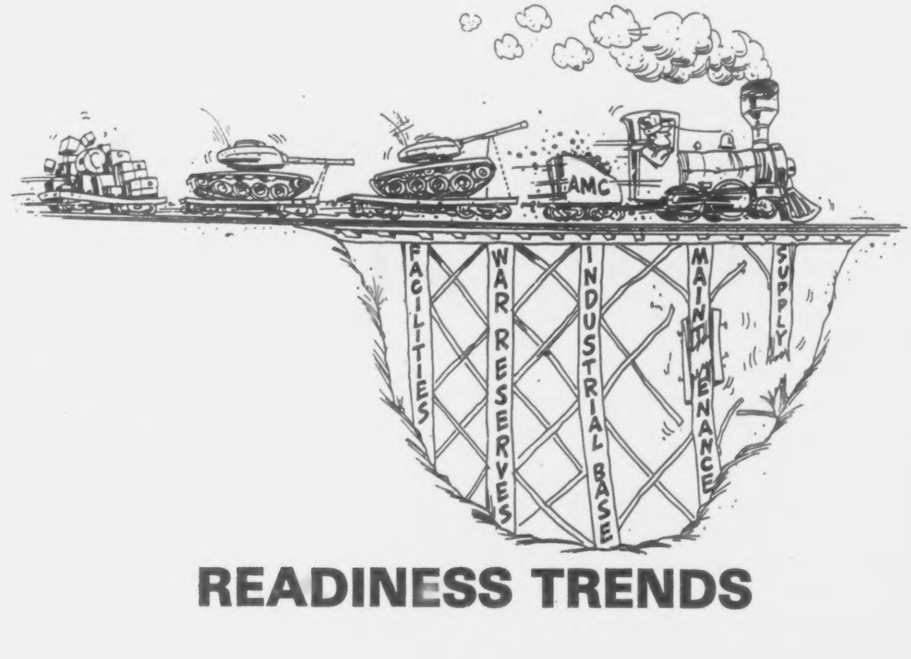
Mr. Chairman, historically logistics and sustainability have taken a back seat in the budget priorities. In my judgment they should have the same priority as weapons systems or research and development. This committee must ensure that the logistic base remains strong and viable despite the lean budget years we are facing. We must remember that we can reconstitute fighting forces faster than we can the facilities and people needed to provide the logistic support.

Thank you Mr. Chairman.

Senator DIXON. General Wagner, if you do not mind we will proceed with you, and thank you for being here this morning.

STATEMENT OF GEN. LOUIS C. WAGNER, JR., U.S. ARMY, COMMANDER, U.S. ARMY MATERIEL COMMAND

General WAGNER. Thank you, Mr. Chairman. It is always a pleasure to come back and discuss the readiness of our Army with this committee.



READINESS TRENDS

As I discussed with you last year, there were trends indicating that we were going back toward a hollow Army if we were not properly funded, particularly in the areas of readiness and sustainability, over the long haul. There is no question that that is still true.

If you look at the rickety bridge that I show on the chart——

Senator Dixon. You have a great artist in your shop somewhere, General.

General Wagner. Thank you, sir. The beams that hold it up, which are facilities, war reserves, industrial base, maintenance and supply, indicate what we do in the Army Materiel Command to ensure the readiness of the Army.

As we look at readiness over the last year, we have seen that it has dropped about 1.5 percent overall. Now, that would indicate to many, do not worry because we are still ahead of our goal. However, if you consider the fact that that is over 4,000 pieces of equipment, or all of the equipment in two battalions that are not ready on any given day to perform their war mission, I begin to worry about it. That rate has been coming down at a slow pace since 1987.

SUPPLY SUPPORT FUNDING

There are several areas that I want to concentrate on today because they are very important in this arena of readiness, and the first of these is the supply support funding. This is that funding that is responsible for receipt and shipment of spare parts, whether it be to the depots to rebuild equipment or whether it be to the soldier in the field. We do not have that funded at levels this year we think are necessary to do our job. In fact, we are only requesting about 83 percent of the dollars to perform that mission properly. Even more worrisome is the fact that when you look at inventory and you look at the care of supplies in storage, we are only requesting funding at about 41 percent of the requirement.

What worries me is the fact that if you do not inventory your supplies you do not know where it is and you are not going to be able to ship it on time. And we are seeing degradation in that area today, as just the time in a depot to process a requisition has gone up about 2 days in the last year.

DEPOT MAINTENANCE

Another area that is worrisome is in depot maintenance, which includes those dollars that are required to rebuild major end items and, even more important than that, to rebuild the secondary items and spares that come back on a continuing basis to keep our Army in a ready status.

We are only funded at about an overall level of 78 percent in this arena. We concentrate on repairing secondary spares because it is those that keep readiness up today. But in the long run, if we do not start overhauling the major end items we are going to see them going downhill. I am going to discuss that a little bit later.

SUPPORT ACTIVITY FUNDING

Another area in the maintenance funding that is worrisome is in our support activity area. These are the dollars that support the equipment after it is fielded, the dollars that are required to make sure that our publications are up to date, and the dollars to provide the engineering that we need to upgrade the equipment after fielding. There is no piece of equipment that you can design and field that will not have to have modifications of some sort or another after it goes to the field, whether it is to make it more efficient as far as saving on cost of operation or whether it is to make it more effective on the battlefield.

So it is important that we continue to fund those areas.

MANAGEMENT CHALLENGE

I have management challenges, and one of those management challenges is in trying to balance off, is the fixed "floors" that I am required to comply with from the Congress. For example, I have a specific floor in depot maintenance. I am not allowed to go below that floor, so I cannot balance the supply side and the maintenance side, which is very important in getting the maximum support for the dollars that you give us.

Second, I have floors in some of my depots that say I cannot reduce the manpower in those depots below 1985 levels. When I try to do that and do not have the workload to put in those depots, it makes no sense, because I need the dollars that pay those people in other depots where I can properly workload them.

So if I can ask you to do anything, it is to attempt in working with your colleagues and the other committees to remove some of these floors during this year.

We attempt in fielding our equipment to field it in what we call total package sets. In a tank battalion, for example, this means that we field it as a battalion. We take all of the tanks—for example today, the M1 A1—we combine them with the trucks, with the communications equipment, with the ammunition, with the tools, with the test equipment, and finally with the proper number of people, and train them.

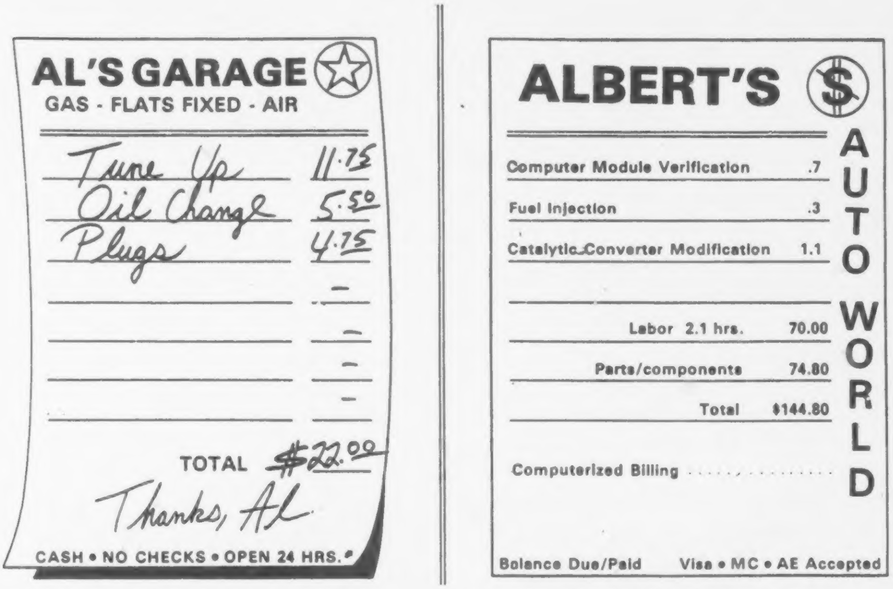
So that when they come out of that training, in the case of a tank battalion after less than 3 months, they are ready to go to war. This is a major difference from the past, when we would give them a major end item, then they would have to requisition all the spare parts, the ammunition, and the other items of equipment to do their job.

It has been very effective. However, again because our programs have been changed so dramatically over the years in going through the Congress, we do not have the balance we need to field full battalions.

A good example is that you cannot plus up tanks if you do not plus up everything else that goes with them. Unfortunately, it is those items like ammunition, like the test sets, like the tool sets, and in some cases like the trucks, that have been cut, so that we cannot field full sets out there.

I would ask you as much as possible to keep balance within our programs; if it is necessary to either plus them up—and ideally I would like them all to be plussed up—or if they are reduced.

Next chart, please.



AL'S GARAGE

GAS - FLATS FIXED - AIR

Tune Up	11.75
Oil Change	5.50
Plugs	4.75
	–
	–
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	–
TOTAL	$22.00

Thanks, Al

CASH • NO CHECKS • OPEN 24 HRS.

ALBERT'S AUTO WORLD

Computer Module Verification	.7
Fuel Injection	.3
Catalytic Converter Modification	1.1
Labor 2.1 hrs.	70.00
Parts/components	74.80
Total	$144.80

Computerized Billing

Balance Due/Paid Visa • MC • AE Accepted

THAT WAS THEN — NOW'S NOW

Compounding our problem is the cost of maintenance today. You know if you own an automobile that the cost of repairing it today as compared to many years ago has gone up dramatically. There is a reason for that. The reason is that it includes higher technology. Now, it is more reliable today and you do not have to take it in as often. But when you do, it costs a lot more.

We are running into the same problem. For example, to overhaul the engine on an M1 tank today costs $47,000. To overhaul the same engine on an M60-A3 tank costs $23,000, because it is not as complicated an engine. But on the other hand, it is not as reliable and it does not last as long in the field.

Even our old equipment is causing us problems. For example, to overhaul a UH-1 Huey helicopter of the Vietnam era today takes about 2,000 line items. Only a few years ago it took 800 line items. Why is that so? It is old today and it is taking more items to get it into shape to fly.

Just to overhaul an old T53 turbine engine today costs well over $100,000, when it was only $69,000 a few years ago, because we have to take it down to the basic nuts and bolts and rebuild it from scratch.

Another major problem we are running into today is the environment. Unfortunately, in the past we did not take into proper consideration the problems that we had in environmental areas, in getting rid of the toxic wastes that we had in all of our depot operations and our ammunition operations.
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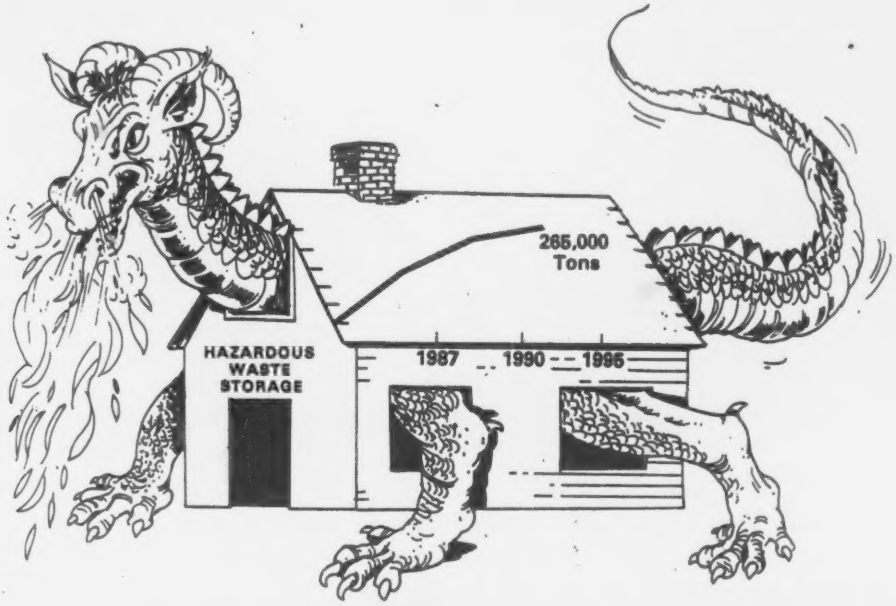
Our problem in this area is that we do not have the facilities today to even store the toxic wastes we have, and ammunition that has to come up for demil.



For example, we are accruing ammunition for demil at the rate of about 12,000 tons per year. We have only been demilling that at the rate of about 2,000 tons a year. We can't continue to do that.

We are again doing the same thing this year. We estimate that by 1995 we will have over 265,000 tons of ammunition that need to be demilled. We need about $35 million a year to keep that at a reasonable level. We're spending about $3.5 million a year to get that level down.

WE WILL DO LESS WITH LESS

I said last year that we were going to do less with less, and we are. But this light-bulb chart is to indicate that it is not all bad, because a lot of dedicated people are doing innovative things to try to save money.

One of these, for example, is going on in Sacramento Army Depot, where they have what they call a productivity-based award concept. They give awards right down to the people on the floor who are doing the work, if they can come up with a better way of doing it.

What has that done? It has cut down the money we spend on every line that we receive and ship by 17 percent. The production on any given day with the same number of people has gone up by 10 percent. That is good because we can turn out more with less, and that is what we are trying to do.

We are very proud of our value engineering effort. Last year we estimated that we saved about $39 million. This was 95 percent of the Army total and 30 percent of OSD.

In our European redistribution facilities, we're giving the units over there an opportunity to turn in their excess and everyone has excess. There's no way of getting out of that. When you order parts, and don't use them, it continues to build up.

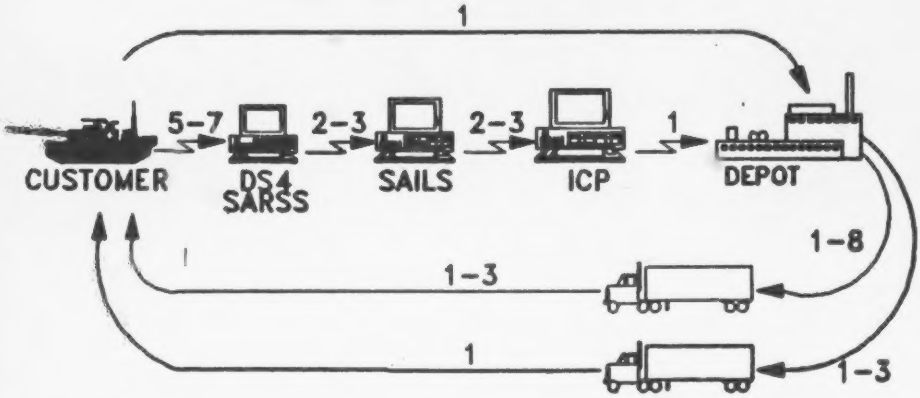
In the last 2½ years, we've taken in three-quarters of a billion dollars in those facilities; $500 million of that has been redistributed in Europe where it was needed and $250 million of that has come back to the States where we can give it to other units.

That means we have not only saved the $750 million in buying those items, but we've saved the transportation cost.

Finally, I'd like to speak very quickly on something we call the objective supply system.

Would you put that chart on here, please.

LOGISTICS CONCEPTS



CURRENT SYSTEM	TOTAL 12-25 DAYS
OBJECTIVE SYSTEM	TOTAL 3-5 DAYS

One of my biggest frustrations as a tank commander over the years was the number of days it took me from the time I requested a spare part to get it to the depot and then back to me in the field. At Fort Hood, Texas, today for example, that takes over 25 days.

Why does it take 25 days? It takes 25 days because we go through all those layers shown on the chart. Why do we go through all those layers? Because that's the way we did business for many years, and also because financial managers said we should do it that way.

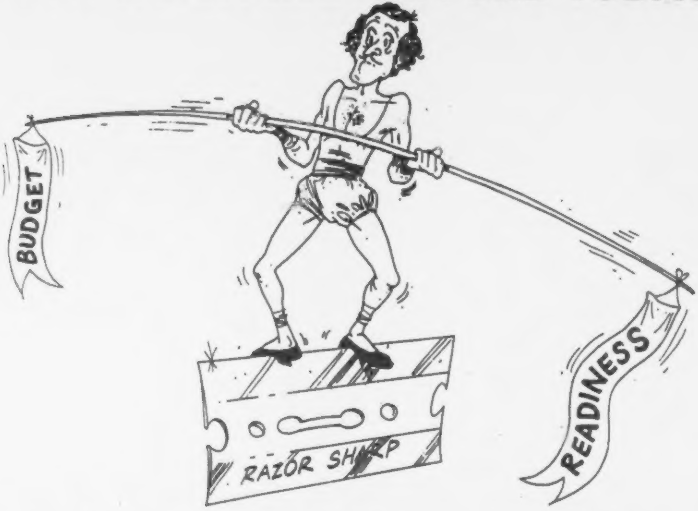
So about half a year ago we said, let us look at that and see how we can do it better and cut out all those layers with the power of the computer. We put in a test case there where we go directly from the clerk in the tank company over here back to what you call the gateway and into my depot. We have cut the order ship time down to 5 or 6 days to get it to that unit.

What does that mean? That means that in the common spare parts, if we could apply this across the Army, we would be able to cut out up to 20 days. What is a day worth? It's worth $11 million in the pipeline.

I'm very excited about this. We're expanding it and we hope to expand it throughout the Army in a very short period of time.

Next chart, please.

"PUTTING OFF UNTIL TOMORROW THAT WHICH WE CANNOT AFFORD TODAY"



Finally, in closing I would just like to point out that as we look at where we are going, we are on the razor's edge today. We are on the razor's edge because we are not buying the things we need for sustainability. We are living for today, but we are not preparing for tomorrow to give us wartime sustainability.

For example, the key loser is the soldier in those parts that we would need if we went to war. We need $1.5 billion worth of wartime parts this year in the stock fund. What are we asking for? Zero. In 1991, a token $50 million.

If you look in the procurement accounts, we need another $1.5 billion. What are we asking for? $227 million, with less than that next year.

Why are we doing that? Because we're keeping readiness up today and we are not worrying about the war tomorrow.

I talked about our care of supplies in storage. We are asking for about $30 million. We need $90 to $100 million a year. In time that is going to hurt us because they will not be in a condition to go to the field.

Finally, BMAR, or Backlog of Maintenance and Repair, in all of our facilities is funded at a miniscule level. It will be over $500 million within the next year or two.

We are doing the best we can with the resources available in the Army Materiel Command to provide a quality product to our soldiers. We think we are doing the best we can, but we ask for your support to continue to give us those dollars in the future that we need to support our Army.

Thank you, sir.

[The prepared statement of General Wagner follows:]

STATEMENT BY

GENERAL LOUIS C. WAGNER, JR.

COMMANDING GENERAL

U.S. ARMY MATERIEL COMMAND

INTRODUCTION

MR. CHAIRMAN, DISTINGUISHED COMMITTEE MEMBERS, THANK YOU FOR THIS OPPORTUNITY TO ADDRESS OUR SHARED INTERESTS, SPECIFICALLY READINESS, SUSTAINABILITY, AND SUPPORT OF OUR ARMY. AS REQUESTED, MY COMMENTS ARE ORIENTED TO THE ARMY MATERIEL COMMAND'S (AMC) ABILITY TO MEET PEACETIME AND WARTIME LOGISTICS REQUIREMENTS, INITIATIVES, AND AREAS OF CONCERN IN EXECUTING OUR FY90 AND FY91 BUDGET. IN ADDITION TO DISCUSSING SUPPLY SUPPORT, DEPOT MAINTENANCE, PROCUREMENT OF SPARE AND REPAIR PARTS, AMMUNITION SUPPORT, AND MILITARY CONSTRUCTION/PLANT MODERNIZATION, OUR VIEWS ON THE ASSET CAPITALIZATION PROGRAM WILL BE PROVIDED.

LET ME BEGIN BY PROVIDING AN ASSESSMENT OF OUR ARMY'S CURRENT EQUIPMENT READINESS BASED UPON ONE OF THE KEY INDICATORS WE TRACK. THE AMC CONTINUOUSLY TRACKS MISSION CAPABLE RATES, AS WELL AS OTHER KEY INDICATORS, FOR 398 MAJOR LINE ITEMS OF EQUIPMENT. THIS REPRESENTS OVER 400,000 INDIVIDUAL ITEMS. WE TRACK THESE ITEMS TO PINPOINT AND CORRECT EQUIPMENT PROBLEMS WHICH IMPACT MATERIEL READINESS. TOTAL ARMY READINESS RATES REACHED A HIGH IN FY87 OF OVER 92 PERCENT AGAINST A GOAL OF 90 PERCENT. SINCE FY87, THESE RATES HAVE DECLINED SLIGHTLY, HOLDING STEADY BETWEEN 90.4 AND 91.8 PERCENT. AS YOU CAN SEE, SO FAR WE ARE STILL HOLDING OUR OWN. HOWEVER, THIS IS ABOUT A 1.5 PERCENT DECLINE IN OUR OVERALL RATES. HISTORICALLY, IT TAKES 18 MONTHS TO TWO YEARS FOR RESOURCE LEVELS TO AFFECT READINESS RATES. WE EXPECT FURTHER DECLINES AS THE EFFECT OF CONSTRAINED RESOURCES IN FY88 AND FY89 ARE FELT.

OUR DISCUSSION OF READINESS IS GERMANE TO THE PRIMARY PERCEPTION I WANT TO LEAVE WITH YOU. WE ARE LIVING ON THE MARGIN. THE ZERO, ACTUALLY NEGATIVE, REAL GROWTH IN OMA FUNDING IS CAUSING US CONCERN WITH OUR ABILITY TO MEET REQUIREMENTS. READINESS TODAY IS BEING MAINTAINED AT THE EXPENSE OF SUSTAINABILITY DURING WARTIME. HISTORICALLY, WARTIME SUSTAINMENT LEVELS ARE SACRIFICED DURING PERIODS OF RESOURCE CONSTRAINTS SUCH AS WE ARE NOW

EXPERIENCING. I WILL PROVIDE YOU MORE DETAILS AS I CONTINUE, BUT IT IS CLEAR THAT MANY OF OUR MANAGEMENT INDICATORS ARE BEGINNING TO SHOW EARLY INDICATIONS OF PROBLEMS THAT WE HAD WHEN WE WERE REGARDED AS A "HOLLOW" ARMY.

HAVING SAID THAT, ONE WEAPON SYSTEM I WOULD LIKE TO ADDRESS SPECIFICALLY, SINCE IT HAS BEEN THE TOPIC OF A NUMBER OF RECENT PRESS ARTICLES, IS THE AH-64 APACHE HELICOPTER. I WOULD FIRST LIKE TO POINT OUT THAT THE SOURCE DOCUMENTS FOR ALL OF THE RECENT PRESS REPORTS WERE INTERNAL ARMY DOCUMENTS PROVIDING US FEEDBACK FROM THE AIRCRAFT USERS. WE ENCOURAGE OUR CUSTOMERS, THE SOLDIERS IN THE FIELD, TO PROVIDE US FRANK AND HONEST INFORMATION ABOUT THE EQUIPMENT THEY USE SO WE CAN BETTER RESPOND TO THEIR NEEDS. WE WILL CONTINUE TO SOLICIT THIS OPEN EXCHANGE BETWEEN AMC AND OUR CUSTOMERS BECAUSE IT IS CRITICAL TO OUR CORPORATE PHILOSOPHY OF QUALITY SERVICE TO THE SOLDIER.

WE, THE ARMY, HAVE IDENTIFIED A NUMBER OF DEFICIENCIES WITH THE APACHE AND ARE WORKING WITH THE APACHE MANUFACTURER, MCDONNELL DOUGLAS HELICOPTER COMPANY TO GET THEM CORRECTED. THE APACHE IS A RELATIVELY NEW SYSTEM WHICH IS HAVING SOME NORMAL RELIABILITY PROBLEMS ASSOCIATED WITH THE FIELDING OF A NEW SYSTEM. THIS IS NOT UNIQUE TO THE APACHE. I BELIEVE IT IMPORTANT TO PLACE THESE PROBLEMS IN PERSPECTIVE. WE HAVE FIELDED 443 AIRCRAFT TO DATE AND FLOWN OVER 150,000 FLYING HOURS WITH AN AVERAGE MISSION CAPABLE RATE OF 72.7 PERCENT FOR THE PAST YEAR. THIS IS SLIGHTLY BELOW THE DEPARTMENT OF THE ARMY GOAL OF 75 PERCENT MISSION CAPABLE AIRCRAFT. THROUGHOUT THE DEVELOPMENT AND OPERATIONAL HISTORY OF THE APACHE WE HAVE HAD ONLY ONE FATALITY. WHILE EVEN ONE FATALITY IS TOO MANY, CONSIDERING THE COMPLEXITY OF THE AIRCRAFT AND ITS HIGH RISK OPERATIONAL ENVIRONMENT, THIS STATISTIC DESERVES MENTION.

THE APACHE IS THE MOST TECHNOLOGICALLY ADVANCED ATTACK HELICOPTER IN THE WORLD AND IS ABSOLUTELY ESSENTIAL TO OUR NIGHT FIGHTING CAPABILITY. APACHE'S ABILITY TO ACQUIRE AND DESTROY HIGH VALUE TARGETS AT NIGHT MAKES IT ONE OF THE MOST SIGNIFICANT FORCE MULTIPLIERS WE HAVE FIELDED IN OUR ARMY THIS DECADE. WE HAVE IDENTIFIED CERTAIN DEFICIENCIES AND ARE TAKING AGGRESSIVE ACTION TO RESOLVE THESE ISSUES. WE ARE CONFIDENT OUR FIXES WILL MAKE THIS GREAT WEAPON SYSTEM MORE RELIABLE, SUPPORTABLE, AND CAPABLE INTO THE NEXT CENTURY.

SUPPLY

CENTRAL SUPPLY PROGRAM

MY SINGLE MOST CRITICAL RESOURCE SHORTFALL IS IN THE CENTRAL SUPPLY PROGRAM. TO MEET THE ARMY'S NEAR TERM READINESS OBJECTIVES, AMC MUST EFFECTIVELY AND EFFICIENTLY PROCURE, RECEIVE, STORE, AND ISSUE MATERIEL; MAINTAIN OUR WARFIGHTING ASSETS; AND FIELD MODERNIZED SYSTEMS. BECAUSE OF LIMITED ARMY RESOURCES, ACCOMPLISHMENT OF OUR MISSION IS IN JEOPARDY.

THIS IS NOT A NEW SITUATION. MY REMARKS LAST YEAR REFLECTED MANY OF THE SAME CONCERNS I HAVE TODAY. FY88 WAS AN EXTREMELY DIFFICULT YEAR DUE TO UNCERTAINTIES AND FUNDING CONSTRAINTS. WE EXECUTED OUR FY88 SUPPLY PROGRAM AT $1.8 BILLION. THIS REPRESENTED A SIGNIFICANT REDUCTION IN REAL PURCHASING POWER - APPROXIMATELY 20.2 PERCENT BELOW THE FY87 FUNDING LEVEL. MANAGEMENT ACTIONS TAKEN DURING THE YEAR WHICH ALLOWED US TO GENERATE FUNDS TO SUPPORT THE BARE NECESSITIES INCLUDED: A 20.3 PERCENT REDUCTION IN TDY; A 53 PERCENT REDUCTION IN OVERTIME; AND A REDUCTION OF 3700 CIVILIAN PERSONNEL THRU HIRING FREEZES AND AN EARLY-OUT RETIREMENT OPTION. THE IMPACTS OF THESE ACTIONS WILL BE COVERED IN THE REMAINDER OF MY TESTIMONY. THE FY89 SUPPLY MISSION PROGRAM IS BROKEN! WE ARE FUNDED AT $1.8 BILLION WHICH REPRESENTS ONLY 83 PERCENT OF OUR REQUIREMENTS. THIS FUNDING LEVEL, COMBINED WITH INFLATION, HAS DECREASED REAL PURCHASING POWER 9 PERCENT BELOW FY88 AND 26.4 PERCENT BELOW FY87. THERE IS NOT ONE ASPECT OF THE AMC LOGISTICS MISSION THAT HAS NOT BEEN AFFECTED. THIS IS IN PART DUE TO THE FACT THAT OVER THREE-QUARTERS OF THE 7S PROGRAM IS DEVOTED TO PAY OF PEOPLE. IN SOME CASES, WE HAVE AGAIN IMPLEMENTED HIRING CONSTRAINTS AND HAVE REDUCED TRAVEL AND OVERTIME. MISSION IMPACTS INCLUDE: INSUFFICIENTLY FUNDED CONVENTIONAL AMMUNITION DEMILITARIZATION; INCREASED REQUISITION PROCESSING AND ORDER SHIP TIME; AND NO MAINTENANCE PERFORMED ON OUR LAID AWAY PRODUCTION LINES. OUR REQUEST OF $1.8 BILLION FOR FY90 IS 27.4 PERCENT BELOW FY87 (AFTER ADJUSTMENT FOR INFLATION AND TRANSFERS). THIS FUNDING WILL NOT SOLVE OUR CURRENT PROBLEM.

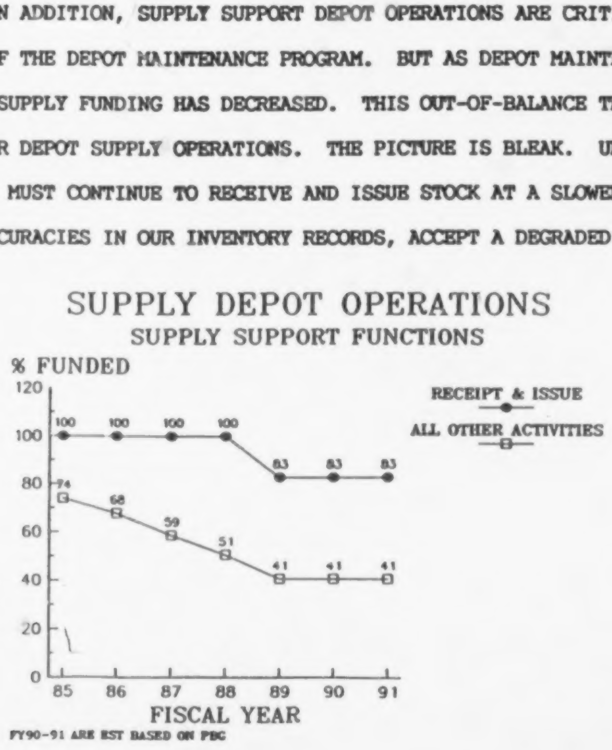
SUPPLY DEPOT PROGRAM

THE LARGEST PORTION OF THE CENTRAL SUPPLY PROGRAM IS SUPPLY DEPOT

ACTIVITIES WHICH INCLUDES RECEIPT AND ISSUE OF MATERIEL (OUR NUMBER ONE PRIORITY), PHYSICAL INVENTORY, REWAREHOUSING, AND CARE OF SUPPLIES IN STORAGE (COSIS). FUNDING LEVELS FOR THESE ACTIVITIES CONTINUE TO BE AT UNACCEPTABLE LEVELS. OUR PROJECTED FY90/91 LEVEL PROVIDES NO GROWTH IN THESE AREAS. THIS WILL CAUSE US TO CONTINUE DEGRADED OPERATIONS AND FURTHER EXACERBATE THE DOWNWARD TRENDS WE EXPERIENCED IN FY88/89. THROUGH FY88, WE WERE ABLE TO PAY FOR 100 PERCENT OF THE RECEIPT AND ISSUE MISSION. BUT STARTING IN FY89, WE ARE UNABLE TO SATISFY THIS NUMBER ONE PRIORITY. THIS YEAR, WE ESTIMATE THAT WE WILL BE ABLE TO FUND ONLY 83 PERCENT OF THE FORECASTED RECEIPT AND ISSUE WORKLOAD. IT IS ESTIMATED THAT ONLY 41 PERCENT OF THE OTHER SUPPLY DEPOT SUPPORT ACTIVITIES WILL BE ACCOMPLISHED IN FY89.

SINCE 1985, WE HAVE TRIED TO CONSERVE FUNDS BY REDUCING THE OVERALL SUPPLY DEPOT WORK FORCE BY OVER 1,350 EMPLOYEES. WE ARE PERFORMING ONLY HALF THE NUMBER OF INVENTORIES REQUIRED TO MAINTAIN ACCURATE RECORDS; OUR ON-TIME PROCESSING OF RECEIPTS HAS DROPPED FROM A 1985 LEVEL OF OVER 92 PERCENT TO A LOW OF ALMOST 70 PERCENT THIS YEAR. THIS TRANSLATES INTO A LESS RESPONSIVE SUPPLY AND DISTRIBUTION SYSTEM WITH AN ESTIMATED $16.8 MILLION INCREASE IN SUPPLY PIPELINE INVENTORY INVESTMENT COST TO MAINTAIN THE SAME LEVELS OF SUPPORT. IN ADDITION, SUPPLY SUPPORT DEPOT OPERATIONS ARE CRITICAL TO THE EXECUTION OF THE DEPOT MAINTENANCE PROGRAM. BUT AS DEPOT MAINTENANCE HAS INCREASED, SUPPLY FUNDING HAS DECREASED. THIS OUT-OF-BALANCE TREND FURTHER DEGRADES OUR DEPOT SUPPLY OPERATIONS. THE PICTURE IS BLEAK. UNLESS THIS TREND CHANGES, WE MUST CONTINUE TO RECEIVE AND ISSUE STOCK AT A SLOWER RATE, ACCEPT HIGHER INACCURACIES IN OUR INVENTORY RECORDS, ACCEPT A DEGRADED CAPABILITY TO

SUPPLY DEPOT OPERATIONS
SUPPLY SUPPORT FUNCTIONS



FY90-91 ARE EST BASED ON PBC

LOCATE ITEMS, AND ACCEPT DETERIORATION OF ITEMS IN STORAGE DUE TO LACK OF PERSONNEL AND FUNDS TO CARE FOR THEM. WHAT HAS SUFFERED IS THE RESPONSIVENESS TO OUR CUSTOMER, THE SOLDIER IN THE FIELD.

TRANSPORTATION

FUNDING FOR THE TRANSPORTATION PORTION OF THE CENTRAL SUPPLY PROGRAM IS NO BETTER. IN FY88, WE DIRECTED MONEY-SAVING ACTIONS FOR TRANSPORTATION THAT RESULTED IN DELAYED LOW PRIORITY SHIPMENTS AND REDUCED THE LEVEL OF SERVICE TO OUR CUSTOMERS. THIS WAS AN INTERIM MEASURE FOR FY88 AS WE WAITED FOR ADDITIONAL FUNDING WHICH DID NOT MATERIALIZE. AS A RESULT, THESE RESTRICTIONS HAVE REMAINED IN EFFECT THROUGH FY89. WE HAVE WORKED CLOSELY WITH THE DEPARTMENT OF THE ARMY STAFF TO ASSURE THAT TRANSPORTATION DOES NOT IMPEDE MODERNIZATION FIELDINGS; HOWEVER, IF THE FUNDING IN FY90 CONTINUES TO DECREASE, WE ARE NOT OPTIMISTIC ABOUT OUR ABILITY TO SUPPORT THE ARMY'S MODERNIZATION EFFORTS.

CENTRAL MAINTENANCE PROGRAM

I HAVE DISCUSSED WITH YOU THE SUPPLY PORTION OF OUR MISSION. ANOTHER MAJOR ASPECT OF AMC'S MISSION IS MAINTENANCE. IT IS COMPRISED OF TWO MAJOR AREAS - DEPOT MAINTENANCE AND MAINTENANCE SUPPORT ACTIVITIES.

DEPOT MAINTENANCE

DEPOT MAINTENANCE COVERS WORLDWIDE DEPOT LEVEL MAINTENANCE OF ALL ARMY WEAPON SYSTEMS/EQUIPMENT AND CONSISTS OF OVERHAUL/REPAIR, MODIFICATION/CONVERSION AND RENOVATION. THIS LEVEL OF MAINTENANCE PROVIDES SUSTAINING SUPPORT TO WEAPON SYSTEMS AND ASSURES THE OPERATIONAL READINESS OF COMBAT FORCES THROUGH:. (1) OVERHAUL OF MAJOR AND SECONDARY UNSERVICEABLE ITEMS FOR REISSUE AND (2) MODIFICATION OF FIELDED EQUIPMENT TO INCREASE SAFETY, RELIABILITY, MAINTAINABILITY, AND EFFECTIVENESS.

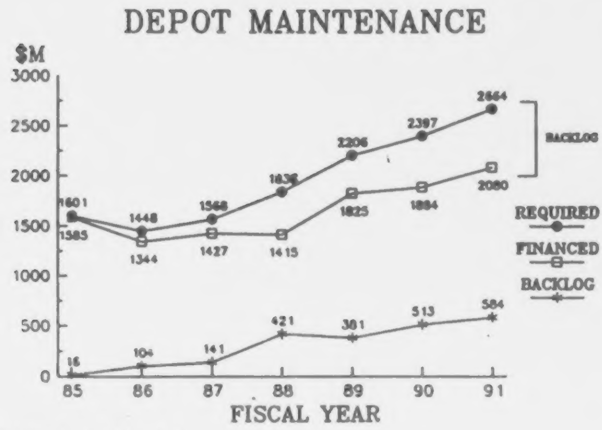
DEPOT MAINTENANCE REQUIREMENTS CONTINUE TO GROW DUE TO INCREASING DENSITIES, THE NUMBER OF FORCE MODERNIZATION SYSTEMS, AND REQUIREMENTS TO UPGRADE FIELDED EQUIPMENT THROUGH APPLICATION OF MODIFICATION AND PRODUCT IMPROVEMENT KITS. DEPOT MAINTENANCE IS REQUIRED FOR THE OLDER SYSTEMS AS LONG

AS THEY ARE RETAINED IN THE INVENTORY. NEW MODERNIZED SYSTEMS ARE GOOD NEWS IN THAT THEIR RELIABILITY HAS LENGTHENED THE TIME BETWEEN REQUIRED OVERHAULS. HOWEVER, THEIR DENSITIES AND COMPLEXITY HAVE INCREASED DEPOT MAINTENANCE REQUIREMENTS AND ARE PARTIALLY RESPONSIBLE FOR THE GROWTH IN DEPOT MAINTENANCE COST.

AS AN EXAMPLE OF THE MAINTENANCE COSTS INCURRED BY OUR NEWER WEAPON SYSTEMS, OVERHAULING THE ENGINE FOR THE M60A3 TANK COSTS $22,600, BUT OVERHAULING THE ENGINE FOR THE FASTER AND HEAVIER M1 TANK COSTS $46,900. INCREASED DEPOT MAINTENANCE COST CAN ALSO BE ATTRIBUTED TO EXTENDING THE LIFE OF SOME OF OUR OLDER SYSTEMS. AN EXAMPLE OF THE INCREASED COST IS THE NUMBER OF PARTS BEING REPLACED DURING THE OVERHAUL OF ONE OF OUR OLDER AIRCRAFT INCREASING FROM 800 TO 2000 PER AIRCRAFT.

AS INDICATED IN MY TESTIMONY LAST YEAR, ONE OF OUR GREATEST CONCERNS IS THE STABILITY OF THE DEPOT MAINTENANCE PROGRAM WITH EMPHASIS ON THE WORK FORCE IN THE DEPOTS. WE MUST RETAIN A RESPONSIVE DEPOT MAINTENANCE CAPABILITY FOR OUR HIGH TECHNOLOGY EQUIPMENT TO SUSTAIN OUR ARMY IN PEACE AND WAR. TOWARD THIS GOAL, WE HAVE CURRENTLY STABILIZED THE DEPOT EMPLOYMENT LEVEL AT APPROXIMATELY 18,000 PERSONNEL. WE REQUIRE THE FLEXIBILITY TO MANAGE THE WORK FORCE AS REQUIREMENTS CHANGE. CONGRESSIONAL ACTIONS THAT ARE NOT NECESSARILY CONSISTENT WITH STABILIZING DEPOT MAINTENANCE PROGRAMS ARE: THE DEPOT MAINTENANCE FUNDING FLOOR AND WORK FORCE FLOORS BY LOCATION. THESE CONSTRAINTS PROHIBIT THE MOST PRUDENT USE OF SCARCE RESOURCES.

WE ARE PLEASED WITH THE SUPPORT CONGRESS HAS GIVEN TO THE DEPOT MAINTENANCE PROGRAM OVER THE PAST FEW YEARS. HOWEVER, THE PROGRAM IS ONLY RESOURCED AT ABOUT 78 PERCENT FOR BOTH FY90 AND FY91. INADEQUATE FUNDING FOR DEPOT MAINTENANCE WILL NOT IMPACT READINESS IMMEDIATELY, BUT WILL PLACE AN ADDITIONAL BURDEN ON THE SOLDIER IN THE FIELD TO MAINTAIN AGING, LESS RELIABLE EQUIPMENT. IN THE LONG TERM, READINESS WILL BE IMPACTED BECAUSE OF THIS ADDED BURDEN AND THE DEGRADED CONDITION OF OUR MATERIEL.



(THEN YEAR DOLLARS)

MAINTENANCE SUPPORT ACTIVITIES

AN EQUALLY IMPORTANT, BUT LESS VISIBLE AND RECOGNIZED ELEMENT OF CENTRAL MAINTENANCE, IS THE MAINTENANCE SUPPORT ACTIVITIES PROGRAM. MAINTENANCE SUPPORT ACTIVITIES FOCUS PRIMARILY ON SUPPORT TO THE FIELD FORCES AND SERVE TO MAXIMIZE EQUIPMENT READINESS AND PERFORMANCE. THIS PROGRAM IS CRITICAL TO THE FIELDING OF NEW SYSTEMS AND EQUIPMENT. IT IS THE SOURCE OF ENGINEERING SUPPORT THROUGHOUT THE LIFE CYCLE OF THE ARMY SYSTEMS, NEW EQUIPMENT TRAINING FOR UNITS RECEIVING EQUIPMENT, UPDATE AND REVISION OF PUBLICATIONS FOR OPERATING AND MAINTAINING THE EQUIPMENT, AND TECHNICAL ASSISTANCE NEEDED TO SUPPORT EQUIPMENT DURING AND AFTER FIELDING.

THE PROGRAM DRIVERS ARE WEAPON SYSTEM DEPLOYMENTS, OLDER SYSTEMS STILL IN THE FIELD, SYSTEM COMPLEXITY, AND NEW REQUIREMENTS RESULTING FROM DECISIONS TO DEVELOP AND DEPLOY NEW SYSTEMS OR TO IMPROVE OR MODIFY FIELDED EQUIPMENT. THE NEED FOR RESOURCES IN THIS PROGRAM RELATES MORE TO THE NUMBER OF DIFFERENT SYSTEMS IN USE RATHER THAN TO SYSTEM DENSITIES.

MAINTENANCE SUPPORT ACTIVITIES CONTINUE TO BE UNDERFUNDED. FUNDING IS NOT KEEPING PACE WITH THE REQUIREMENTS. THE FY90/91 PROGRAM IS FUNDED AT ONLY ABOUT 60 PERCENT OF THE $1.0 BILLION REQUIREMENT. THESE MARGINAL FUNDING LEVELS INHIBIT OUR ABILITY TO SUPPORT ENGINEERING CHANGES NECESSARY FOR LONG TERM RELIABILITY AND MAINTAINABILITY IMPROVEMENTS. INSUFFICIENT FUNDING ALSO JEOPARDIZES NEW EQUIPMENT FIELDING BECAUSE OF INADEQUATE SOLDIER TRAINING, INSUFFICIENT TECHNICAL DOCUMENTATION SUCH AS TECHNICAL MAINTENANCE MANUALS, AND LACK OF TECHNICAL ASSISTANCE.

MANAGEMENT OF ARMY STOCK AND PROCUREMENT SECONDARY FUNDS

WAR RESERVE

HAVING DISCUSSED MY OPERATION AND MAINTENANCE PROGRAM CONCERNS, LET ME PROVIDE YOU WITH ANOTHER EXAMPLE OF HOW SUPPORT OF TODAY'S ACTIVITY AFFECTS OUR WARTIME SUPPORT CAPABILITY. THE ARMY REMAINS SIGNIFICANTLY UNDERFUNDED TO SUSTAIN EQUIPMENT IN WARTIME. FUNDING LEVELS FOR THE SPARES WAR RESERVE PROGRAM CONTINUE TO DROP FROM A 21 PERCENT FUNDED LEVEL IN FY88, TO A 14 PERCENT FUNDED LEVEL IN FY89, AND THEN A 6 PERCENT FUNDED LEVEL IN FY90. THE ACTUAL PA-2 WAR RESERVE REQUIREMENT FOR FY90 IS $1.4 BILLION AND IS FUNDED AT $91 MILLION. CONTINUED REDUCTIONS IN SPARES (PA-2) WAR RESERVE FUNDING WILL ADVERSELY IMPACT OUR ABILITY TO SUSTAIN A PROTRACTED CONFLICT. OUR WHOLESALE ARMY STOCK FUND (ASF) SUSTAINMENT PICTURE IS EVEN BLEAKER. THE ASF WAR RESERVE REQUIREMENTS ARE FUNDED AT 10 PERCENT IN FY89, 0 PERCENT IN FY90, AND 3 PERCENT IN FY91, LEAVING A SHORTFALL OF $1.5 BILLION THROUGH FY91. CURRENT AND FUTURE FUNDING WILL NOT ALLOW US TO ACHIEVE THE MINIMUM WAR RESERVE LEVEL FOR NEWLY DEVELOPED SYSTEMS, NOR WILL IT ALLOW US TO FUND SUSTAINMENT REQUIREMENTS FOR OUR MOST CRITICAL FIELDED SYSTEMS FOR THE LEVEL WE FEEL IS REQUIRED. THIS IS AN EXAMPLE OF MORTGAGING OUR FUTURE AND WARTIME CAPABILITY. WE CAN CONTINUE THIS INDEFINITELY-- AS LONG AS WE NEVER GO TO WAR.

PEACETIME STOCK FUND

OUR PEACETIME STOCK FUND, WHILE NOT COMPLETELY HEALTHY, IS STRONG AND CONTINUES TO GET STRONGER. SINCE FY87, WE HAVE HAD A 3.9 PERCENT IMPROVEMENT IN STOCK FUND ITEM AVAILABILITY. THE CASH IMBALANCE AND OUTLAY PROBLEMS THAT HAVE PLAGUED US SINCE 1986 ARE QUICKLY IMPROVING. AT THE END OF FY88, OUR OPERATING TREASURY CASH (THAT CASH NEEDED TO SUSTAIN DAY-TO-DAY OPERATIONS) WAS $160 MILLION BELOW OUR 12-DAY OPERATING STANDARD. TODAY, AS THE DIRECT RESULT OF INITIATIVES IMPLEMENTED TO REVERSE THIS TREND, WE STAND THROUGH 31 MARCH AT ONLY $43.8 MILLION BELOW THE STANDARD.

AMMUNITION

HAVING DISCUSSED AMC'S LOGISTICS SUPPORT IN GENERAL, LET ME BE MORE SPECIFIC BY FOCUSING ON JUST ONE OF OUR COMMODITY AREAS, THE AMMUNITION PROGRAM. HOWEVER, LET ME EMPHASIZE THAT WE HAVE SIMILAR PROBLEMS IN ALL COMMODITY AREAS.

PROCUREMENT

THE ARMY'S AMMUNITION BUDGET OF APPROXIMATELY $1.7 BILLION IN FY90 AND $1.6 BILLION IN FY91, IS FOR THE PROCUREMENT OF AMMUNITION END ITEMS AND TO SUPPORT OUR AMMUNITION PRODUCTION BASE.

TO CONTINUE SUPPORTING THE SOLDIER IN THE FIELD, THE REDUCED BUDGETS MANDATE MORE THAN EVER THAT WE, AS PRUDENT STEWARDS OF PUBLIC FUNDS, FINE TUNE OUR EMPHASIS ON ECONOMIES, EFFICIENCIES, AND PRODUCTION BASE CONSOLIDATION, WHILE INSISTING ON THE HIGHEST QUALITY, MOST EFFECTIVE AMMUNITION. TO THAT END WE HAVE ELIMINATED MARGINALLY EFFECTIVE SYSTEMS FROM OUR BUDGET IN FAVOR OF MORE CAPABLE WARFIGHTING REPLACEMENT ROUNDS. HOWEVER, IT WILL ALSO BE NECESSARY TO CONSOLIDATE BOTH OUR GOVERNMENT-OWNED AND COMMERCIAL PRODUCTION BASE. THIS IS REQUIRED SPECIFICALLY BECAUSE OF TERMINATION OF M483 DUAL-PURPOSE IMPROVED CONVENTIONAL MUNITION PRODUCTION AT MISSISSIPPI ARMY AMMUNITION PLANT. IT WILL SHUT DOWN AS AN ACTIVE FACILITY BEGINNING IN FY90; A METAL PARTS PRODUCTION PLANT WILL BE LAID AWAY IN FY91. ALSO IN FY90, A LOAD, ASSEMBLE, AND PACK PLANT MAY BE REDUCED TO DIRECT (I.E., THIRD PARTY) SALES WORK ONLY. SIMILAR REDUCTIONS IN ACTIVE COMMERCIAL BASE PRODUCERS ARE OCCURRING NOW AND WILL CONTINUE AT THESE REDUCED FUNDING LEVELS.

INDUSTRIAL BASE

THAT PORTION OF THE AMMUNITION BUDGET FOR THE PRODUCTION BASE PROGRAM IS $174 MILLION IN FY90 AND $220 MILLION IN FY91. PRIOR YEAR INITIATIVES ARE CONTINUED. ALSO INCLUDED ARE PROJECTS NEEDED TO MEET LIMITED PEACETIME PRODUCTION REQUIREMENTS WHILE MAINTAINING THE MINIMUM ACTIVE PLANT BASE.

PROVISION OF INDUSTRIAL FACILITIES ($125.3 MILLION IN FY90 AND $181.6 MILLION IN FY91) PROVIDES FOR THE DESIGN AND INITIATION OF CONSTRUCTION OF A

NEW HIGH MELT EXPLOSIVE (HMX) FACILITY, SUPPORT FOR 105/120MM TANK ARMOR ENHANCEMENT INITIATIVE (AEI) FACILITIES, LIMITED ENVIRONMENTAL CORRECTIONS TO THE FACILITIES IN FY90 (NONE IN FY91), AND SOME LIMITED SAFETY IMPROVEMENTS IN FY90 AND 91. NO OTHER MODERNIZATION EFFORTS OR IMPROVEMENTS TO THE INFRASTRUCTURE FOR THE AGING AMMUNITION BASE ARE INCLUDED. ADDITIONAL UNFUNDED PROJECTS ESSENTIAL FOR ENVIRONMENTAL COMPLIANCE CAN BE EXPECTED.

IN FY90, $40.0 MILLION IS REQUESTED FOR LAYAWAY OF EQUIPMENT AND FACILITIES NO LONGER REQUIRED FOR ACTIVE PRODUCTION, BUT WHICH MUST BE RETAINED FOR FUTURE PEACETIME OR MOBILIZATION PRODUCTION. THE SIGNIFICANT INCREASE OVER LAST YEAR ($19.6 MILLION) IS ATTRIBUTED TO $20.8 MILLION FOR INITIAL LAYAWAY EFFORTS AT MISSISSIPPI AAP. THE FY91 FUNDING OF $25.5 MILLION PROVIDES, AMONG OTHER THINGS, FOR THE LAYAWAY OF ONE GOVERNMENT-OWNED 155MM BASEBURNER PROJECTILE LINE AT A FACILITY TO BE DETERMINED.

WE HAVE REQUESTED $7.0 MILLION IN FY90 AND $12.6 MILLION IN FY91 FOR COMPONENTS FOR PROVEOUT ON NEW PRODUCTION LINES. IN ADDITION, APPROXIMATELY $99.0 MILLION OMA DOLLARS FOR INDUSTRIAL PREPAREDNESS OPERATIONS (IPO) COST ARE REQUIRED TO MAINTAIN THE LAID AWAY EQUIPMENT AND FACILITIES AT THE INACTIVE GOVERNMENT-OWNED, CONTRACTOR-OPERATED (GOCO) PLANTS IN FY90. HOWEVER, DURING FY90/91, ONLY 42 PERCENT OF THE REQUIREMENT HAS BEEN REQUESTED. THIS MINIMUM AMOUNT PROVIDES FOR NO HANDS-ON MAINTENANCE AND ONLY MINIMUM ESSENTIAL UTILITIES, GUARD, AND FIREFIGHTER SUPPORT.

FUNCTIONAL SUPPORT

DESPITE THE OVERALL SHORTAGES, SUPPLY OPERATIONS FOR MULTI-SERVICE SUPPORT BY THE SINGLE MANAGER FOR CONVENTIONAL AMMUNITION (SMCA) HAVE BEEN CONDUCTED AT HIGH LEVELS OF EFFICIENCY AND EFFECTIVENESS DURING FY89. THE PERFORMANCE IN OUR WHOLESALE DEPOTS EXCEEDS OR IS CLOSELY APPROACHING ESTABLISHED GOALS. RECEIPTS IN DEPOTS ARE POSTED TO RECORDS AND PROPERLY STORED WITHIN TIME LIMITS. LOT LOCATION SURVEY DATA EXCEEDS 99 PERCENT ACCURACY. OVERALL INVENTORY ACCURACY, WHICH CONSIDERS LOT LOCATION, QUANTITY, AND CONDITION CODE, IS 99.7 PERCENT. MOST IMPORTANTLY, OUR WAREHOUSE DENIAL RATE IS ABOUT 1.1 PERCENT. THE BOTTOM LINE IS THAT "BETTER THAN 98.9 PERCENT OF THE TIME OUR CUSTOMERS RECEIVE THE RIGHT MATERIEL, IN SERVICEABLE CONDITION, ON TIME."

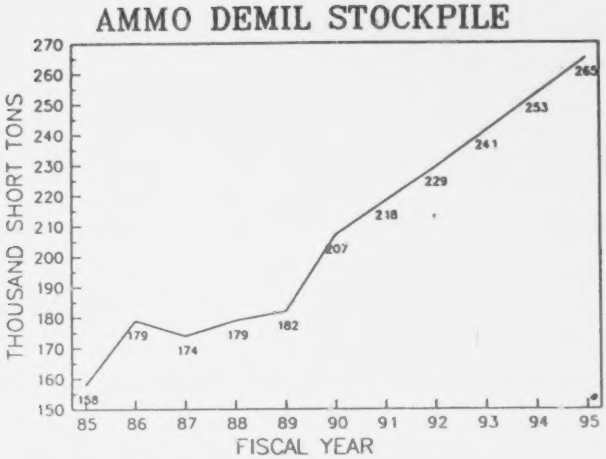
HOWEVER, THIS HIGH STANDARD OF PERFORMANCE CANNOT BE MAINTAINED GIVEN ANTICIPATED FY90 AND FY91 FUNDING LEVELS.

SECOND DESTINATION TRANSPORTATION FUNDS ARE ALSO OF CONCERN WITH REGARD TO AMMUNITION. SHORTFALLS IN THIS ACCOUNT IN FY90 AND FY91 MAY RESULT IN CURTAILMENT OF AMMUNITION SHIPMENTS, IMPACTING UPON TRAINING REQUIRING AMMUNITION READINESS, AND MODERNIZATION.

SIGNIFICANT OMA SHORTFALLS IN AMMUNITION RESULT IN A TOTALLY UNFUNDED CARE AND PRESERVATION AMMUNITION MAINTENANCE PROGRAM THROUGH FY95. BASED UPON HISTORICAL DATA, WE PROJECT THAT 8,000 SHORT TONS OF ADDITIONAL HIGH PRIORITY STOCKS REQUIRING MINOR MAINTENANCE WILL BE GENERATED ANNUALLY; OUR TOTAL HIGH PRIORITY TONNAGE REQUIRING MINOR MAINTENANCE WILL GROW FROM 27,000 TO 75,000 SHORT TONS BETWEEN FY89 AND FY95. IN TIME, THIS WILL ADVERSELY IMPACT THE ARMY'S ABILITY TO FULFILL ITS JOINT SERVICE AMMUNITION SUPPLY MISSION. A MODEST PROGRAM OF $6 MILLION DOLLARS PER YEAR IS REQUIRED TO MAINTAIN OUR MINOR MAINTENANCE WORKLOAD AT MANAGEABLE LEVELS.

THESE PROJECTED SHORTFALLS WILL ALSO HAMPER CONDUCT OF OTHER ESSENTIAL AMMUNITION PROGRAMS SUCH AS IN-STORAGE QUALITY CONTROL AND REWAREHOUSING WHICH WILL IMPACT EFFICIENT USE OF AVAILABLE STORAGE SPACE FOLLOWING BASE CLOSURES AT FOUR DEPOTS. THE SUBSEQUENT TRANSFER OF THOSE STOCKS TO OTHER AMC DEPOTS WILL CAUSE STORAGE SPACE TO BECOME ACUTE: THE LOSS OF THOSE FOUR DEPOTS WILL SIGNIFICANTLY REDUCE AVAILABLE AMMUNITION STORAGE SPACE. ADDITIONAL RESOURCES (FUNDS AND CERTIFIED PERSONNEL) FOR REWAREHOUSING ARE REQUIRED TO AVOID A POTENTIAL STORAGE GRIDLOCK.

AS THE SINGLE MANAGER FOR CONVENTIONAL AMMUNITION, THE AMC HAS THE MISSION FOR THE DESTRUCTION, NEUTRALIZATION, OR REMOVAL OF HAZARDOUS OR EXPLOSIVE CHARACTERISTICS FROM MUNITIONS, WHICH ARE NOT ECONOMICALLY REPARABLE OR HAVE BECOME OBSOLETE. THIS IS A MATTER OF CONCERN. PROJECTED FUNDS, WHICH VARY BETWEEN $2.5 AND $3.5 MILLION DOLLARS ANNUALLY OVER THE NEXT SEVERAL YEARS,



WILL SUPPORT EMERGENCY DEMILITARIZATION ONLY. LACK OF ADEQUATE FUNDING ALONG WITH ANTICIPATED GROWTH AT THE RATE OF APPROXIMATELY 12,000 SHORT TONS OF DEMILITARIZATION STOCKS PER YEAR, CONTRIBUTES TO AN INCREASING SHORTAGE OF AVAILABLE AMMUNITION STORAGE SPACE. OUR CURRENT INVENTORY OF 182,000 SHORT TONS OF DEMILITARIZATION ACCOUNT MATERIEL IS FORECAST TO INCREASE TO 241,000 SHORT TONS BY THE END OF FY93 AND 265,000 SHORT TONS BY THE END OF FY95.

ADDITIONALLY, LACK OF REQUISITE FUNDS WILL HAVE A FURTHER NEGATIVE IMPACT UPON OUR ABILITY TO: (1) COMPLY WITH EXISTING ENVIRONMENTAL LAWS, AND (2) APPROPRIATELY ADDRESS NEW ENVIRONMENTAL ISSUES. WITHOUT FUNDS WE CANNOT DEVELOP ALTERNATE TECHNOLOGIES TO OPEN-BURNING/OPEN-DETONATION. NEW TECHNOLOGY WILL MOST ASSUREDLY BE MORE COMPLEX, TIME CONSUMING, AND COSTLY. BUT WITHOUT THE NEW TECHNOLOGY, WE WILL CONTINUE THE GROWTH OF THE AMMUNITION DEMILITARIZATION STOCKPILE, WITH ITS POTENTIAL HARMFUL IMPACT UPON SAFETY AND THE ENVIRONMENT.

FACILITIES PROGRAM

KEEPING UP WITH ENVIRONMENTAL AND TECHNOLOGICAL CHANGES CUTS ACROSS OUR ENTIRE INFRASTRUCTURE AND IMPACTS ALL OUR LOGISTICS AND MATERIEL SUPPORT MISSIONS. OUR ABILITY TO ADJUST TO MEET CHANGES IS DEGRADED BY ANTIQUATED FACILITIES AND OVERLOADED UTILITIES. WAREHOUSES DESIGNED FOR MANUAL LABOR CANNOT ACCOMMODATE AUTOMATED PROCESS EQUIPMENT OR HIGH DENSITY STORAGE PRACTICES. A DIVERTED WAREHOUSE MAKES A POOR LABORATORY FOR SOPHISTICATED

ELECTRONICS RESEARCH. INSTALLED ELECTRIC SYSTEMS STRAIN TO SUPPORT OFFICE COMPUTERS AND THE AIR CONDITIONERS COMBATING THE HEAT THE COMPUTERS GENERATE. EFFORTS TO CORRECT PROBLEMS ARE HANDICAPPED BY A LEVEL OF FUNDING THAT IS INADEQUATE TO RENEW, REPLACE, OR EVEN MAINTAIN WHAT WE NOW OWN AND OPERATE.

REAL PROPERTY MAINTENANCE

RESOURCE LEVELS OF REAL PROPERTY MAINTENANCE ACTIVITIES -- THE OPERATION AND MAINTENANCE OF OUR PHYSICAL PLANT -- PROVIDES ONLY FOR THE FEW HIGHEST PRIORITY CRITICAL ISSUES. WE MEET UTILITIES COSTS AND PAY NECESSARY SALARIES BUT CAN FUND FEW OTHER REQUIREMENTS. CHANGING ENVIRONMENTAL DEMANDS, DRAW HEAVILY ON AVAILABLE FUNDS. THIS LEAVES NOTHING TO APPLY AGAINST OUR BACKLOG OF MAINTENANCE AND REPAIR (BMAR), WHICH GREW 32 PERCENT, TO $413 MILLION, IN FY88 AND SHOULD EXCEED $550 MILLION BY THE END OF FY89. SIMILAR GROWTH IS PROJECTED THROUGH FY91, WITH NO RELIEF IN SIGHT. ENVIRONMENTAL WORK AND BMAR WE DEFER FROM YEAR TO YEAR DOES NOT GO AWAY. INSTEAD, OUR FAILURE TO ACT ALLOWS NATURE TO SPREAD OUR POLLUTANTS AND ACCELERATE THE WEATHERING AND DETERIORATION OF OUR FACILITIES, SO THAT THE FINAL BILLS WE MUST PAY WILL BE EXPONENTIALLY HIGHER AS PROBLEMS AGE AND WORSEN.

MILITARY CONSTRUCTION

OUR CONSTRUCTION PROGRAM PROVIDES RESOURCES FOR NEW SYSTEMS AND ADDRESSES ONLY THE TIP OF OUR FACILITIES ICEBERG. AMC'S FY89 MCA PROGRAM WAS FUNDED AT $134 MILLION; IN FY90, THIS SLIPS TO $119 MILLION AND IN FY91 TO $80 MILLION. AN ADDITIONAL $58 MILLION IN FY89 AND $97 MILLION IN FY91 ARE FUNDED FROM DOD RESOURCES FOR CHEMICAL DEMILITARIZATION PLANTS, BUT DO NOT HELP MISSION NEEDS. WE CONCENTRATE OUR EFFORTS ON THE FEW MOST CRITICAL LOGISTICS CHOKE POINTS AND PRIMARY FACILITIES WHERE LIMITED RESOURCES PROVIDE THE MOST BENEFIT. FOR EXAMPLE, THE LAST OF THE THREE AREA ORIENTED DEPOTS, RED RIVER ARMY DEPOT, TEXAS, COMPLETED INITIAL SITE WORK AND IS NEARING CONTRACT AWARD FOR THE AUTOMATED CENTRAL DISTRIBUTION CENTER. THIS PROJECT IS FUNDED THROUGH FY91.

OTHER CRITICAL DEPOT IMPROVEMENTS IN THE FY90 MILITARY CONSTRUCTION BUDGET ARE A TURBINE ENGINE OVERHAUL SHOP FOR M1 TANK ENGINES AT ANNISTON ARMY DEPOT, ALABAMA, AND A MICROWAVE COMMUNICATIONS/RADAR MAINTENANCE FACILITY AT

SACRAMENTO ARMY DEPOT, CALIFORNIA. THESE FACILITIES ARE DRIVEN BY ECONOMIC PAYBACK AS WELL AS MISSION NEED, WITH TOTAL ANNUAL SAVINGS OF $10.9 MILLION AND A PAYBACK ON INVESTMENT OF 7 MONTHS. UNFORTUNATELY, SIMILAR PROJECTS BASED ON IMPROVED EFFICIENCY AND EFFECTIVE MISSION SUPPORT ARE BEING DELAYED BY LIMITED FUNDS.

IN OTHER AREAS, WE ARE PROVIDING NEW PRODUCTION FACILITIES FOR CHEMICAL DETECTION PAPER IN FY91 AT PINE BLUFF ARSENAL, ARKANSAS, NEW RESEARCH AND TEST FACILITIES FOR AERIAL CARGO DELIVERY SYSTEMS IN FY90 AT YUMA PROVING GROUND, ARIZONA, AND FOR AUTOMATIC CANNON SYSTEMS IN FY90 AT PICATINNY ARSENAL, NEW JERSEY. WE ARE CONTINUALLY STRIVING TO UPGRADE OUR BASIC FACILITIES INFRASTRUCTURE WITH NEW INDUSTRIAL AND SANITARY WASTE TREATMENT FACILITIES, IMPROVED ELECTRIC DISTRIBUTION SYSTEMS, AND OTHER UTILITIES IMPROVEMENTS TO MEET THE BASIC REQUIREMENT OF OUR PLANTS AND COMMUNITIES.

FACILITIES CHALLENGES

NEW AND CHANGING DEMANDS FOR RESOURCING FACE US. NEW CHILD DEVELOPMENT FACILITIES FOR DEPENDENTS OF DOD CIVILIAN EMPLOYEES ARE REQUIRED SO WE CAN COMPETE WITH INDUSTRY, WHERE SUCH FACILITIES ARE INCREASINGLY PROVIDED, FOR THE QUALITY PERSONNEL NECESSARY TO PERFORM OUR MISSION.

HAZARDOUS MATERIAL STORAGE

AN EVER-INCREASING NUMBER OF ITEMS IN THE ARMY INVENTORY ARE BEING IDENTIFIED AS HAZARDOUS. PAINTS, SOLVENTS, THINNERS, INDUSTRIAL PRODUCTS, AND MANY ARMY-UNIQUE ITEMS MUST NOW BE RECEIVED, STORED, AND SHIPPED IN STRICT COMPLIANCE WITH EPA AND OSHA STANDARDS, AS WELL AS DOT, DOD, AND DA HEALTH SAFETY REGULATIONS. EACH TYPE OF HAZARD REQUIRES DIFFERENT SAFEGUARDS. MANY OF OUR DEPOTS MUST RECEIVE, STORE AND SHIP A BROAD RANGE OF ITEMS FROM TOXIC AND CORROSIVE TO FLAMMABLE AND EXPLOSIVE. THE ONLY SOLUTION IS A STORAGE FACILITY AT EACH DEPOT THAT CAN PROVIDE ALL NECESSARY SAFEGUARDS.

WE HAVE SURVEYED EACH OF OUR DEPOTS AND IDENTIFIED A REQUIREMENT OF OVER $80 MILLION FOR HAZARDOUS MATERIEL STORAGE. THE REQUIREMENT AT NEW CUMBERLAND ARMY DEPOT, PENNSYLVANIA, IS THE MOST PRESSING AND THE FY90 ARMY BUDGET REQUEST INCLUDES A $14 MILLION NEW FACILITY AT THAT LOCATION. OTHER DEPOTS ARE

SCHEDULED FOR FY93 AND LATER YEARS.

IN THE INTERIM, WE ARE PURSUING PRECAUTIONARY MEASURES WITH RESOURCES AVAILABLE NOW. THESE INCLUDE PORTABLE EYE WASH STATIONS, SHOWERS, IMPROVED VENTILATION, AND OTHER PERSONNEL SAFETY MEASURES, PLUS MEMBRANES, BERMS AND OTHER MINOR CONSTRUCTION MEASURES FOR ENVIRONMENTAL PROTECTION. TRAINING PROGRAMS AND REWAREHOUSING TO MORE STRINGENT STANDARDS ARE ALSO EMPHASIZED, BUT ARE SIGNIFICANTLY HAMPERED BY OUR FUNDING RESTRICTIONS.

EVERY AVAILABLE SOURCE OF FUNDS IS BEING PURSUED TO CORRECT OUR FACILITIES SHORTFALLS. WHERE ECONOMIC OPPORTUNITIES THAT ENCOURAGE PRIVATE INVESTMENT SUPPORT OUR NEEDS, WE EAGERLY PARTICIPATE. ONE PRIVATELY FUNDED REFUSE-TO-STEAM PLANT IS NOW OPERATIONAL AT ABERDEEN PROVING GROUNDS; ANOTHER IS UNDER CONSTRUCTION AT REDSTONE ARSENAL. WE HAVE PROJECTS BEING EVALUATED FOR PRIVATE FUNDING UNDER PROVISIONS OF 10USC SECTION 2809 AT REDSTONE ARSENAL (A SEWAGE TREATMENT PLANT) AND AT FT BELVOIR (A NEW HEADQUARTERS BUILDING), WITH OTHER PROJECTS STANDING IN LINE PENDING THE RESULTS OF OTHER SECTION 2809 TESTS. OTHER PROJECTS HAVE BEEN PROPOSED AS CANDIDATES FOR SPECIAL LEGISLATION, SUCH AS REDSTONE ARSENAL'S SPARKMAN BUILDING COMPLEX.

WE HAVE COMPLETED AN ANALYSIS, PERFORMED BY THE BATTELLE PACIFIC NORTHWEST LABORATORIES, WHICH EVALUATED OUR OPERATIONAL CONDITION AND NEEDS. IT CONSIDERED EQUIPMENT AS WELL AS FACILITIES AND INCLUDES THE READY 2000 PROGRAM, MY TOP FACILITIES THRUST. THE STUDY PROVIDED "ORDER OF MAGNITUDE" COST ESTIMATES IN FY90 DOLLARS OF $7.1 BILLION TO "GET WELL" AND $3.8 BILLION ANNUALLY TO "STAY WELL" THEREAFTER. IN CONTRAST, WE ARE CURRENTLY FUNDED AT APPROXIMATELY $1 BILLION PER YEAR IN ALL APPLICABLE ACCOUNTS. THE AMC HAS DEVELOPED MODERNIZATION PLANS COVERING ALL FACETS OF OUR MISSION PERFORMANCE. WE ARE IMPLEMENTING FACILITIES PROGRAMS AS RAPIDLY AS RESOURCES ALLOW, BUT WE ARE LOSING GROUND AT A RAPID PACE.

MANAGEMENT OF ASSET CAPITALIZATION PROGRAM

THE ASSET CAPITALIZATION PROGRAM (ACP) PROVIDES THE PRIMARY SOURCE OF FUNDS FOR OUR INDUSTRIAL FUND ACTIVITIES TO RENOVATE, REPLACE AND MODERNIZE OUR EQUIPMENT AND FACILITIES. RECENTLY GAO AND OUR OWN AUDITORS HAVE CRITICIZED OUR MANAGEMENT OF THE ACP. WE TAKE THIS CRITICISM SERIOUSLY. WE HAVE

CORRECTED THE ERRORS WE MADE IN RECORDING DEPRECIATION AND THE SYSTEM DEFICIENCIES THAT ALLOWED THEM TO OCCUR. WE ARE WORKING CLOSELY WITH OUR SUBORDINATE COMMANDS TO ASSURE EARLY SELECTION OF PROJECTS THAT WILL PROVIDE THE BEST RETURN ON INVESTMENT, CONSISTENT WITH LONG TERM BUSINESS PLANS. WHILE WE HAVE MADE SOME MISTAKES IN OUR MANAGEMENT OF THE PROGRAM, WE REALIZE THE PRINCIPLES ON WHICH IT IS BASED REMAIN AS SOUND AS EVER.

THE MOST IMPORTANT BENEFITS OF THE PROGRAM WHICH WE THINK MUST BE PRESERVED ARE THE ABILITY TO MANAGE AND INVEST IN OUR INDUSTRIAL PLANT AND THE AVAILABILITY OF FUNDS WHICH ARE NOT IN COMPETITION WITH WEAPONS ACQUISITION. THE ACP ALSO PROVIDES A VALUABLE MANAGEMENT TOOL BY INCLUDING EQUIPMENT COSTS AND OTHER COSTS OF PRODUCTION IN THE PRICES OF OUR PRODUCTS AND SERVICES JUST AS PRIVATE INDUSTRY DOES.

BOTH DIRECT AND SUPPORT TYPES OF EQUIPMENT ARE NECESSARY AND BOTH OFFER OPPORTUNITIES FOR EFFICIENCY SAVINGS. IT WOULD BE UNFORTUNATE IF SUPPORT EQUIPMENT WERE EXCLUDED FROM THE ACP BECAUSE OF GAO'S CRITICISM OF THE FACT THAT THE SERVICES SPENT A LARGER PORTION OF ACP RESOURCES ON OVERHEAD/SUPPORT TYPES OF EQUIPMENT THAN ORIGINALLY ENVISIONED. WE ALSO THINK THAT IT WOULD BE A MISTAKE TO TAKE DECISION MAKING AUTHORITY AWAY FROM THE LOCAL COMMANDER. THE GAO REPORT MAKES IT CLEAR AND WE REALIZE THAT WE NEED TO DO A MORE THOROUGH JOB OF OVERSEEING THE WAY OUR INSTALLATIONS AND SUBORDINATE COMMANDS MANAGE, AND WE NEED TO PLAY A LARGER ROLE IN FACILITY PLANNING. IN ADDITION, WE REALIZE THAT WE NEED TO DEVOTE MORE MANAGEMENT ATTENTION AND MANPOWER TO OUR ECONOMIC ANALYSIS AND POST INVESTMENT ANALYSIS PROCESSES.

ON ANOTHER NOTE, HOWEVER, EVEN IF WE WERE BETTER MANAGERS AND MADE NO MISTAKES, THE CURRENT LEVEL OF INVESTMENT AND THE AMOUNTS PERMITTED IN OUR BUDGET GUIDANCE THROUGH FY91 ASSURE RAPID DETERIORATION OF OUR INDUSTRIAL PLANT. WHEN NEW INVESTMENTS ARE LESS THAN OUR STRAIGHT LINE DEPRECIATION PLUS INFLATION, WE ARE CONSUMING OUR PLANT FASTER THAN WE ARE REPLACING IT. DURING FY89-FY91 OUR ACP OBLIGATIONS ARE LIMITED TO 86 PERCENT, 79 PERCENT, AND 72 PERCENT RESPECTIVELY. OTHER EXTERNAL FACTORS WHICH FURTHER DECREASE THE AVAILABLE FUNDS ARE FINANCIAL DEMANDS FOR VARIOUS ENVIRONMENTAL, SAFETY AND HEALTH PROJECTS.

WE URGE YOUR SUPPORT TO ALLOW US TO RETURN AS SOON AS POSSIBLE TO INVESTING ENOUGH IN OUR DEPOTS, ARSENALS, AND OTHER INDUSTRIAL FACILITIES TO AVOID FURTHER DETERIORATION AND TAKE ADVANTAGE OF MONEY SAVING AND PROBLEM SOLVING OPPORTUNITIES AS PRUDENTLY MANAGED BUSINESSES DO. WE WILL PROVIDE THE NECESSARY OVERSIGHT TO ASSURE THAT EVERY ACP PROGRAM INCREASES OUR ABILITY TO SUPPORT THE WARFIGHTING FORCE.

INITIATIVES

VALUE ENGINEERING

IN KEEPING WITH THE EFFORTS TO REDUCE THE BUDGETARY BURDEN OF OUR NATIONAL DEFENSE, AMC'S FY88 VALUE ENGINEERING PROGRAM SAVINGS AND COST AVOIDANCES TOTALED $739.2 MILLION. SAVINGS FROM AMC'S VALUE ENGINEERING PROGRAM TYPICALLY CONSTITUTE 95 PERCENT OF THE DEPARTMENT OF THE ARMY VALUE ENGINEERING PROGRAM AND 30 PERCENT OF THE DEPARTMENT OF DEFENSE VALUE ENGINEERING PROGRAM. FOR THIS REASON, AMC HAS BEEN SELECTED TO LEAD THE "REVITALIZE VALUE ENGINEERING" PROGRAM TASK TEAM. IT IS ONE OF OSD'S INITIATIVES TO PROVIDE INCENTIVES TO DEFENSE CONTRACTORS AND REDUCE OVERALL WEAPONS SYSTEMS PROCUREMENT COSTS.

EUROPEAN REDISTRIBUTION FACILITIES

LAST YEAR I SPOKE OF OUR EUROPEAN REDISTRIBUTION FACILITIES (ERF), ESTABLISHED IN JULY 1986. SINCE THEIR INCEPTION, WE HAVE REDISTRIBUTED OVER $501 MILLION WORTH OF MATERIEL TO IN-THEATER UNITS AND MAINTENANCE ACTIVITIES. THE ERF SITES HAVE ALSO BEEN VALUABLE IN ASSISTING US TO EXPEDITE AND MANAGE THE RETURN OF UNSERVICEABLE DEPOT LEVEL REPARABLES TO CONUS: OVER $254 MILLION WORTH OF MATERIEL.

AREA ORIENTED DEPOT MODERNIZATION

THE AREA ORIENTED DEPOT MODERNIZATION PROGRAM WILL PROVIDE THE ARMY WHOLESALE SUPPLY SYSTEM WITH STATE-OF-THE-ART DISTRIBUTION FACILITIES CAPABLE OF SUSTAINING A HIGH LEVEL OF SUPPORT TO THE MODERN ARMY WELL INTO THE NEXT CENTURY. THE AOD'S WILL PROCESS ABOUT 92 PERCENT OF ALL DEPOT MATERIEL RELEASE ORDERS (PRIMARILY REPAIR PARTS).

WITH YOUR SUPPORT, THE FIRST DISTRIBUTION CENTER FACILITY AT SHARPE ARMY DEPOT, WILL BECOME OPERATIONAL THIS SUMMER, AND THE SECOND FACILITY AT NEW CUMBERLAND ARMY DEPOT, IS 85 PERCENT COMPLETE AND PROGRESSING ON SCHEDULE. THE THIRD FACILITY, AT RED RIVER ARMY DEPOT, IS NEARING CONSTRUCTION CONTRACT AWARD. THESE FACILITIES PROVIDE A GREAT BOOST IN EFFICIENCY AND PRODUCTIVITY, AND SIGNIFICANTLY IMPROVE OUR ABILITY TO PROVIDE RELIABLE, RESPONSIVE SUPPORT TO OUR SOLDIERS.

OBJECTIVE SUPPLY SYSTEM

AS THE RESULT OF A SERIES OF DISCUSSIONS WITH THE COMMANDING GENERAL, U.S. ARMY TRAINING AND DOCTRINE COMMAND (TRADOC), WE CHARTERED AN OBJECTIVE SUPPLY SYSTEM (OSS) TASK FORCE IN MAY 1988. THE MISSION OF THE TASK FORCE WAS TO DEVELOP AND PROTOTYPE A CONCEPT TO ACHIEVE INTERACTIVE, NEAR REAL-TIME PROCESSING OF REQUISITIONS WITH THE OBJECTIVE OF SIGNIFICANTLY REDUCING THE AMOUNT OF TIME REQUIRED TO FILL CUSTOMER REQUESTS FOR SUPPLY.

DURING THE PERIOD 30 SEPTEMBER - 30 NOVEMBER 1988, THE OBJECTIVE SUPPLY SYSTEM PROOF OF PRINCIPLE DEMONSTRATION WAS CONDUCTED IN THE 2ND ARMORED DIVISION AT FORT HOOD, TEXAS. DURING THE DEMONSTRATION, AS A RESULT OF THE VISIBILITY OF ON-POST STOCKS THROUGH OSS, $92,000 WORTH OF ASSETS WERE ISSUED FROM ON-POST THAT PREVIOUSLY WOULD HAVE BEEN UNAVAILABLE. THE ORDER-SHIP TIME REQUIRED TO FILL A REQUEST FOR SUPPLY WAS REDUCED FROM A NORM OF 12-25 DAYS TO A NORM OF 2-8 DAYS. THE DOLLAR VALUE OF ONE DAY OF THE STOCK FUND PIPELINE IN CONUS IS $3.5 MILLION.

AS A RESULT OF THE DEMONSTRATION, THE ARMY VICE CHIEF OF STAFF APPROVED THE OBJECTIVE SUPPLY SYSTEM CONCEPT. HE DIRECTED THE DEVELOPMENT OF AN OPERATIONAL PROTOTYPE AND THE INCORPORATION OF THE RESULTS INTO THE STANDARD ARMY LOGISTICS SYSTEM. AN OPERATIONAL PROTOTYPE IS NOW BEING DEVELOPED TO RUN AT BOTH FORT HOOD, TEXAS AND FORT RUCKER, ALABAMA. THE PROTOTYPE IS SCHEDULED TO BE ON LINE IN JUNE 1989 AND TO RUN APPROXIMATELY ONE YEAR. THE SYSTEM WILL BE EVALUATED BASED ON COST AND PERFORMANCE DATA PRIOR TO FURTHER PROLIFERATION. WE ARE CONFIDENT THE OSS WILL CONTINUE TO BE A SUCCESS AND WILL SIGNIFICANTLY ENHANCE SUPPLY SUPPORT TO THE FIELD, POTENTIALLY OFFSETTING SOME OF THE PROBLEMS WE HAVE TODAY AS A RESULT OF RESOURCE CONSTRAINTS.

STRATEGIC PLAN FOR LOGISTICS SYSTEMS MODERNIZATION

IN NOVEMBER 1988, THE ARMY LAUNCHED A STRATEGIC PLANNING INITIATIVE FOR MODERNIZATION OF ARMY'S LOGISTICS SYSTEMS TOWARD THE NEXT CENTURY. THE FIRST PHASE, TO BE COMPLETED THIS JUNE, WILL ESTABLISH THE BASIC PRECEPTS FOR THE FUTURE OF LOGISTICS. USING OVERALL ARMY LONG RANGE PLANS AND OSD'S LOGISTICS 20 YEAR PLAN AS THE STARTING POINT, A SERIES OF OVER 50 INTERVIEWS WERE CONDUCTED WITH LOGISTICS EXPERTS IN THE THREE SERVICES, INDUSTRY, AND THE ACADEMIC COMMUNITY. INITIAL CONCEPTS WERE THEN HONED THROUGH A NUMBER OF WORKSHOPS AND SEMINARS WITH KEY PROVIDERS AND USERS OF LOGISTIC SERVICES. THE FINAL VERSION, TO BE APPROVED BY THE ARMY LEADERSHIP IN THE NEXT 60 DAYS, WILL PROVIDE THE FRAMEWORK FOR PLANNING THE MODERNIZATION THAT WILL TAKE PLACE OVER THE NEXT TEN TO TWENTY YEARS.

THE OBJECTIVE LOGISTICS SYSTEM WILL TAKE ADVANTAGE OF MODERN COMPUTER TECHNOLOGY TO MAKE QUANTUM IMPROVEMENTS IN THE SERVICE TO THE SOLDIER IN TIME OF WAR, AND WILL AIM AT DRASTIC CUTS IN INVENTORIES REQUIRED FOR A GIVEN STATE OF READINESS IN TIME OF PEACE. SPECIFIC CONCEPTS WILL BE PROVEN THROUGH DEMONSTRATION PROJECTS, SUCH AS THE ONGOING EXPERIMENT WITH THE OBJECTIVE SUPPLY SYSTEM.

A MODERN INFORMATION SYSTEMS ARCHITECTURE, BEING TESTED AT THIS TIME, WILL BE THE INFRASTRUCTURE OF THE OBJECTIVE LOGISTICS SYSTEM. THE STRATEGIC PLAN FOR LOGISTIC SYSTEMS MODERNIZATION BASED ON PROVEN CONCEPTS WILL BE PRESENTED TO CONGRESS IN OUR BUDGET REQUESTS IN FUTURE YEARS. THE OSD HAS DIRECTED THE ARMY TO PRESENT THE STRATEGIC PLAN TO THE MAJOR AUTOMATED INFORMATION SYSTEM REVIEW COUNCIL (MAISRC) IN DECEMBER OF THIS YEAR.

THIS INITIATIVE DIFFERS FROM ORDINARY RESEARCH AND DEVELOPMENT PROJECTS BECAUSE THESE IMPROVEMENTS AND ENHANCEMENTS ARE GENERIC TO MORE THAN ONE SPECIFIC SYSTEM OR PROGRAM.

CONCLUSION

SINCE I SPOKE WITH YOU LAST YEAR, A GREAT DEAL OF MY TIME HAS BEEN SPENT TRYING TO EDUCATE OUR CUSTOMERS ABOUT WHAT WE ARE DOING FOR THEM. A PRIMARY THRUST I HAVE BEEN USING IS THAT "WE MAKE GOOD STUFF." THE OVERRIDING

CONCERN THROUGHOUT THE COMMAND IS TO EQUIP OUR SOLDIERS WITH THE BEST WE CAN PROVIDE, AND ENSURE THAT THEIR NEEDS ARE MET ALL THE TIME, WHEREVER AND WHENEVER NEEDED.

THIS HAS BEEN DIFFICULT TO DO IN LIGHT OF THE RESOURCE CONSTRAINTS WE ARE EXPERIENCING. THESE CONCERNS WHICH I HAVE VOICED TO YOU HAVE PRESENTED TREMENDOUS CHALLENGES TO OUR ABILITY TO KEEP OUR SOLDIERS READY AND BE ABLE TO SUSTAIN THEM. I AM PROUD OF THE JOB BEING DONE BY THE 100,000 PLUS MEMBERS OF THE ARMY MATERIEL COMMAND. THEY ARE DOING AN OUTSTANDING JOB OF MEETING THE PEACETIME NEEDS OF OUR CUSTOMERS. BUT, THEY NEED YOUR HELP TO CONTINUE TO DO SO.

AS I STATED UP FRONT, WE ARE LIVING ON THE MARGIN. THERE ARE VERY REAL CONCERNS ABOUT OUR ABILITY TO MEET OUR CUSTOMERS WARTIME LOGISTIC REQUIREMENTS. IN TIMES OF CONSTRAINTS, THERE IS A VERY NATURAL TENDENCY TO HOLD TIGHTLY TO OUR SCARCE RESOURCES AND USE THEM FOR IMMEDIATE NEEDS, HOPING THAT SOME FUTURE EVENT MIGHT NOT OCCUR. AS YOU ARE WELL AWARE, THAT CAN LEAD TO DISASTER WHICH CAN ONLY BE CORRECTED AT GREATER EXPENSE THAN THE PREVENTION WOULD COST. WE HAVE SEEN THIS RECENTLY IN ALASKA. AN OUNCE OF PREVENTION IS WORTH A POUND OF CURE.

OUR CURRENT SITUATION IS NOT GREATLY DIFFERENT. IF WE ARE TO CONTINUE THE PROGRESS WE HAVE MADE, YOUR SUPPORT IS NEEDED.

I HAVE OUTLINED SOME OF THE INITIATIVES WE HAVE UNDERTAKEN. WE NEED TO ENCOURAGE MORE OF THEM TO CAPITALIZE ON THE TREMENDOUS STRIDES OUR COUNTRY CONTINUES TO MAKE IN TECHNOLOGY AND INNOVATION. LAST YEAR, I TOLD YOU WE CAN ONLY DO LESS WITH LESS. THAT IS THE REALITY OF TODAY, WHICH HAS LED ME TO MAKE MY EARLIER STATEMENTS. WE RECOGNIZE THE CHALLENGES FACING US IN PROVIDING OUR OUTSTANDING SOLDIERS THE GOOD STUFF WE ARE PROUD OF, AND WE WANT TO BE ABLE NEXT YEAR TO CONTINUE GIVING THEM WHAT THEY DESERVE.

Senator DIXON. Thank you, General, for a very fine presentation. General Hansen.

STATEMENT OF GEN. ALFRED G. HANSEN, U.S. AIR FORCE, COMMANDER, U.S. AIR FORCE LOGISTICS COMMAND

General HANSEN. Thank you, Mr. Chairman.

Throughout my statement I have attempted to identify some of the major challenges that are facing my command, particularly those associated with supporting, as General Wagner said, an increasingly sophisticated force structure during a period of time when our resources are in continual decline.

I think it's important to reiterate that the combat capability of the force is built first and foremost on a foundation of logistics. Logistics shortfall by definition will have a direct impact on both readiness and sustainability.

One of my most serious concerns is the health and well-being of the logistics work force. The work force in my command is predominantly civilian and funded through O&M accounts. Consequently, shortfalls in these accounts, coupled with a lack of flexibility—and I am faced with the same constraints that General Wagner is, in that Congress has taken away my flexibility to move money most efficiently between accounts.

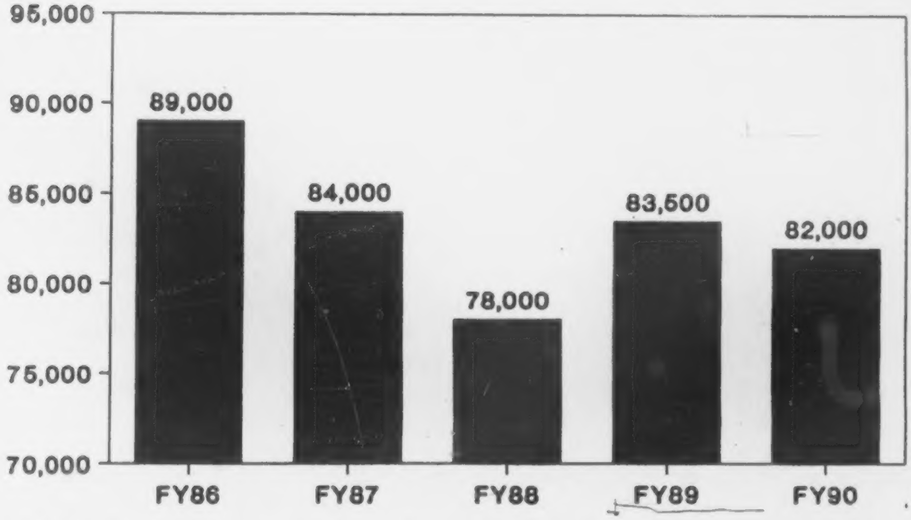
But with those restrictions and shortfalls, there could be a devastating impact on my ability to support the operational commands. Funding for our civilians is both integral and essential to our warfighting capabilities because, like the warriors in the operational commands, they play a paramount role in maintaining weapons system availability and effectiveness.

Because of hiring freezes, early out programs and the furlough threat that we all went through in 1988, the AFLC effectively dropped its civilian manpower level to about 78,000 employees, down 12,000 employees from the early 1980s.

We originally speculated that this level would be too low but now there is no reason to speculate any more: We know, because of the experience of that drawdown, that we cannot do the logistics job that we are charged with at the manpower level that we saw ourselves in 1988.

As we reduced below 83,000, the question became what will we not do? We had run out of the new ways and innovative ways to do our business with less people. No longer could we do more with less. We found ourselves doing less with less.

AFLC CIVILIAN STRENGTH LEVELS
MFP VII



This chart I have up now shows the drawdown that we have experienced over the past years as well as the projections for 1989 and 1990. We must hold the line now at our current civilian manpower levels.

With best case funding, we are posturing ourselves at 83,500 civilians, which I determined to be the optimum level for my command. The reduction of the 1,500 civilians in 1990 will present a significant challenge to me in accomplishing the mission of AFLC.

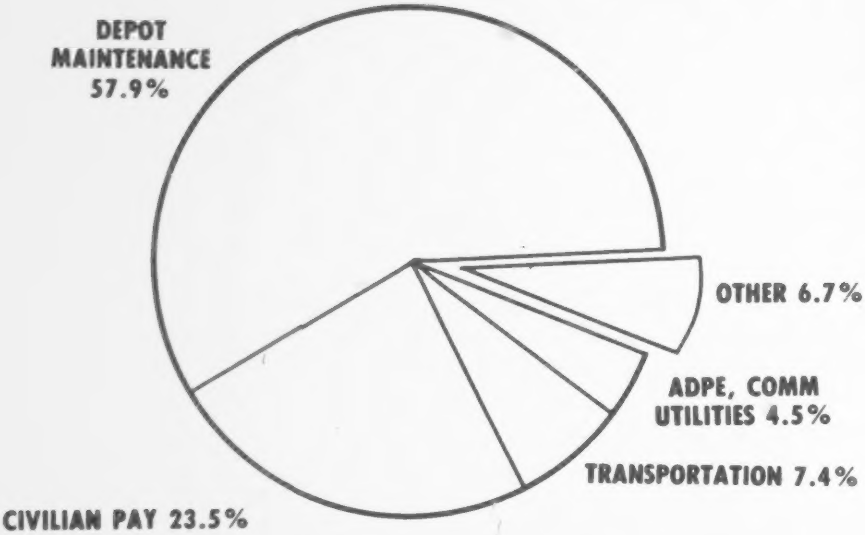
Additionally, our work force has been very concerned about a proposal to terminate a 60/40 lump sum benefit by July 1, 1989 and that is a lump sum benefit as a result of retirement. One thing that has been encouraging is that on the 14th of April there was an agreement between the President and the leadership of Congress that appears to support this benefit for 1990.

I have approximately 5,000 AFLC civilians eligible for retirement. Roughly 15 percent of these employees will retire within the next year. However, since 80 percent of the retirees would elect the lump sum option, we believe the fear of losing this important benefit would cause many of our people to retire early.

Once again, we would be faced with an unforeseen turbulence in our work force. I would request your support in continuing this benefit for our civilian work force.

FY 1989 O&M, AFLC

MFP VII FUNDING



This chart shows the division of O&M funds in the 1989 appropriations bill. As I said earlier, the appropriations bill did fence my depot maintenance account, requiring congressional reprogramming to move funds out of this account.

This removed the longstanding flexibility that the commander enjoyed to balance the various accounts. In this entire MFP-7 fund, for example, I could end up with work without enough people to accomplish it, similar to what General Wagner had said, or inadequate transportation dollars to remove the items that I had repaired, or shortages in utility dollars that could turn my lights out or shortages in facility repair that could stop production.

This year I have already experienced unforeseen utility rate increases, power fluctuation problems, and leaky roofs. To correct these problems, I have submitted a $55 million reprogramming request to the Air Force for processing through OSD to Congress.

I only hope that this lengthy process is responsive before a situation develops that could have a negative impact on my depot productivity.

I once again request your support to remove the restrictions to the depot maintenance account and allow me to manage the total dollars to maximize plan efficiencies and productivity.

Furthermore, while still on people issues, I cannot in good conscience neglect commenting on the medical user fee proposal to introduce copayments in military treatment facilities. I am concerned because it makes it appear once again that our Government is going back on its word. I believe this could destroy the credibility—our credibility at the very time when we need it most, especially with our young members, and it could set an unfortunate precedent for the future.

An issue central to depot maintenance readiness is our facility investment program. This encompasses our military construction and real property maintenance activities programs. The present Milcon funding for revitalization of our facilities will exceed 100 years, compared to a 25-year cycle set by industry.

We are also making every effort to clean up and protect the environment at our bases, although funding is extremely limited. This effort has been formalized in my command's environmental compliance program.

I might point out that those issues involving facilities and the environment are not limited to AFLC bases but prevail throughout the entire Air Force.

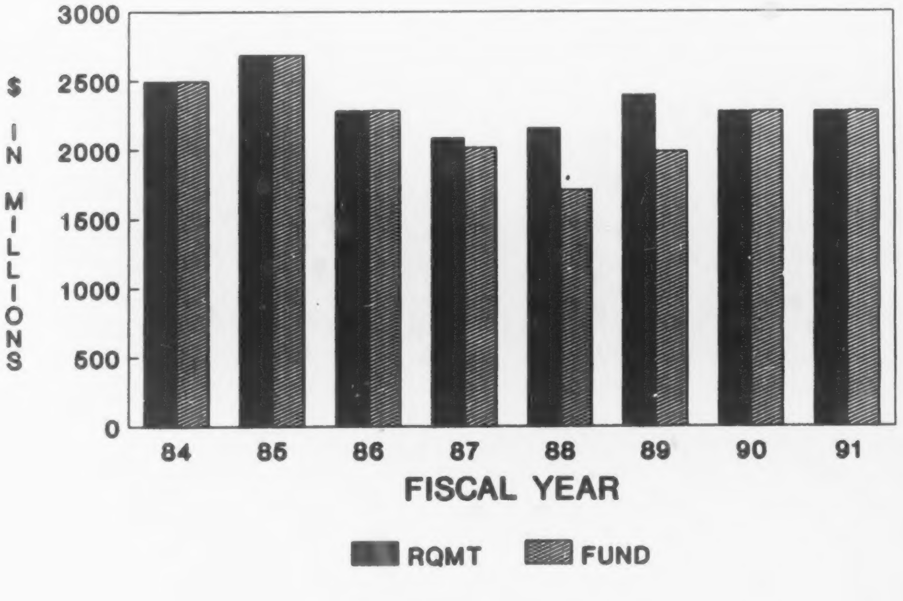
I solicit your support for these important programs. They are vital to both readiness and sustainability.

Another area of substantial concern involves spares, how many we are buying and the quality of those we buy. Both initial and replenishment spares directly contribute to Air Force readiness and sustainability.

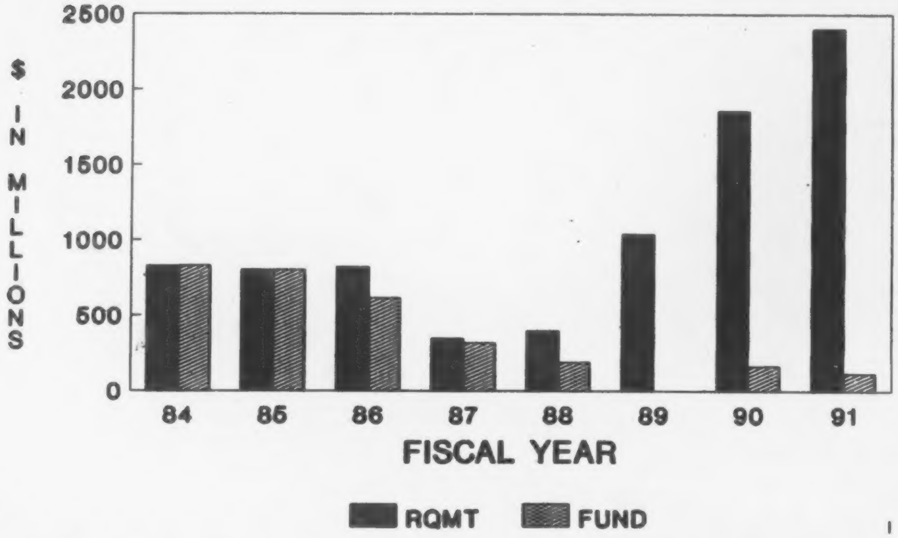
As we continue to exhaust the supply of spares funded in the mid-1980s, we will continue to see a drop in war-fighting capability. While both the Air Force and OSD have made a commitment to readiness, we have not been able to fund war-fighting spares.

In fact, our newest, most capable aircraft are seriously short of wartime spares. Consequently, I have serious reservations about our ability to sustain wartime scenarios.

REPLENISHMENT SPARES HISTORY/FY90 PB
POS REQ/FUND (THEN YEAR $)



This chart shows our peacetime replenishment spares. As you can see, with the exception of 1988 and 1989, we have funded our peacetime spares very well. However, our wartime spares have not done very well.

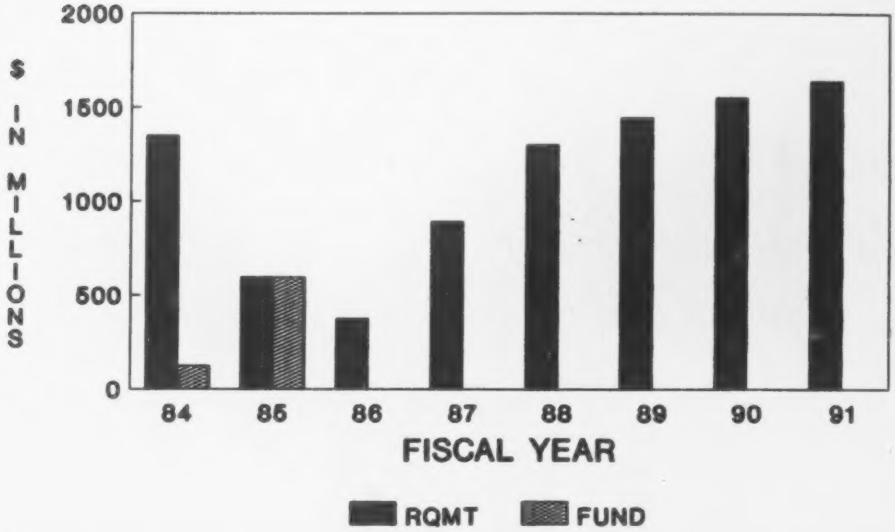


WAR FIGHTING SPARES HISTORY
(THEN YEAR $)

During the mid years of the Reagan administration, we were funded at nearly 100 percent, but in 1988 we started to back off and in 1989 we did not fund a single dollar of war-fighting spares; 1990 and on is not much better. In fact, we are fast approaching the status of the late 1970s.

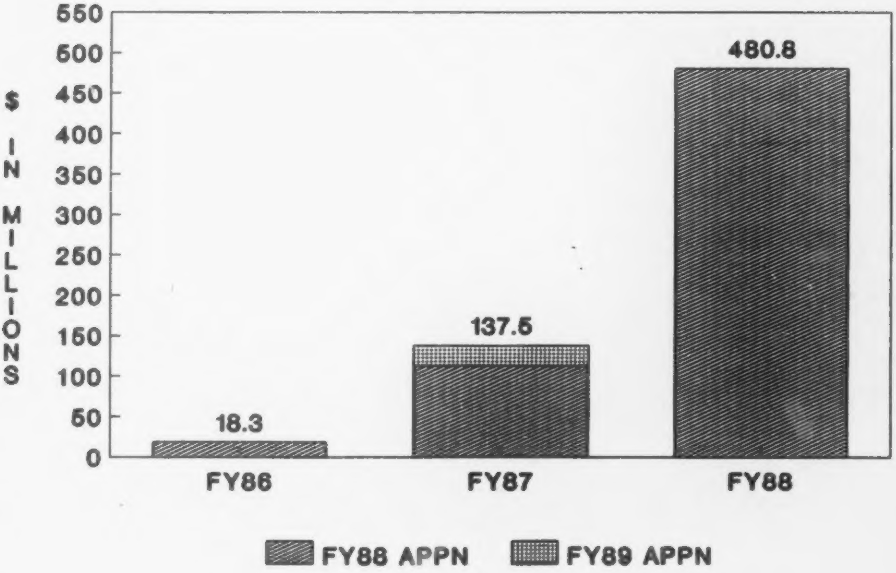
Next chart.

D - P HISTORY/FY90PB
(THEN YEAR $)



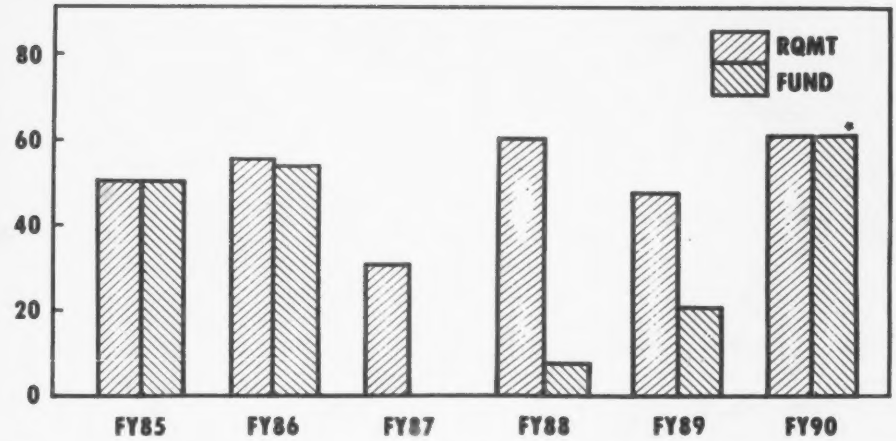
With the exception of 1985, spares to maintain us until production starts and OWRM have not been funded either.

CONGRESSIONAL REDUCTIONS TO SPARES
FY88 AND FY89



This chart shows the congressional reductions in spares in 1988 and 1989. The reductions in 1986 and 1987 reflect the rescissions from 1988 and 1989. In addition, substantial congressional reductions were made in 1987 and 1986 to the President's budget in the spares account.

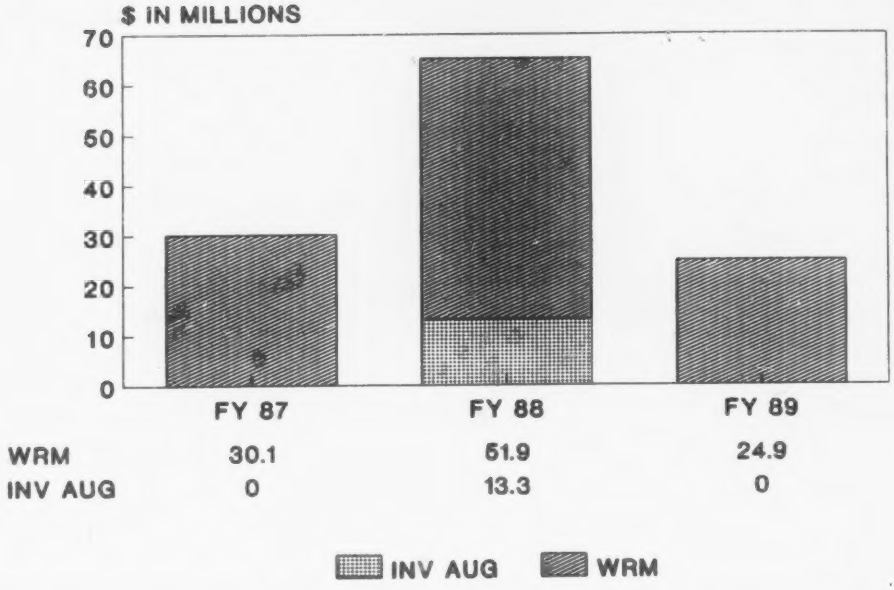
WAR RESERVE MATERIAL
GSD/SSD STOCK FUND



*ANTICIPATED FY90 FUNDING

Our stock fund, which buys repair bits and pieces, has not fared well either after 1986.

SYSTEMS/GENERAL SUPPORT DIVISIONS
INV AUG/WRM FUNDING CUTS

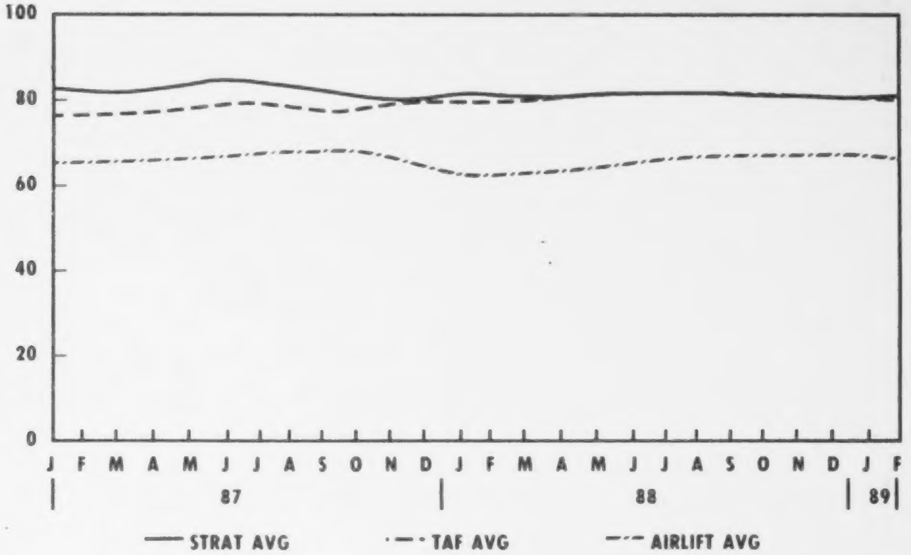


	FY 87	FY 88	FY 89
WRM	30.1	51.9	24.9
INV AUG	0	13.3	0

This chart shows the congressional reduction in the stock fund. Not only are we not buying replacement spares but we are also not buying the items needed to repair those we already have bought.

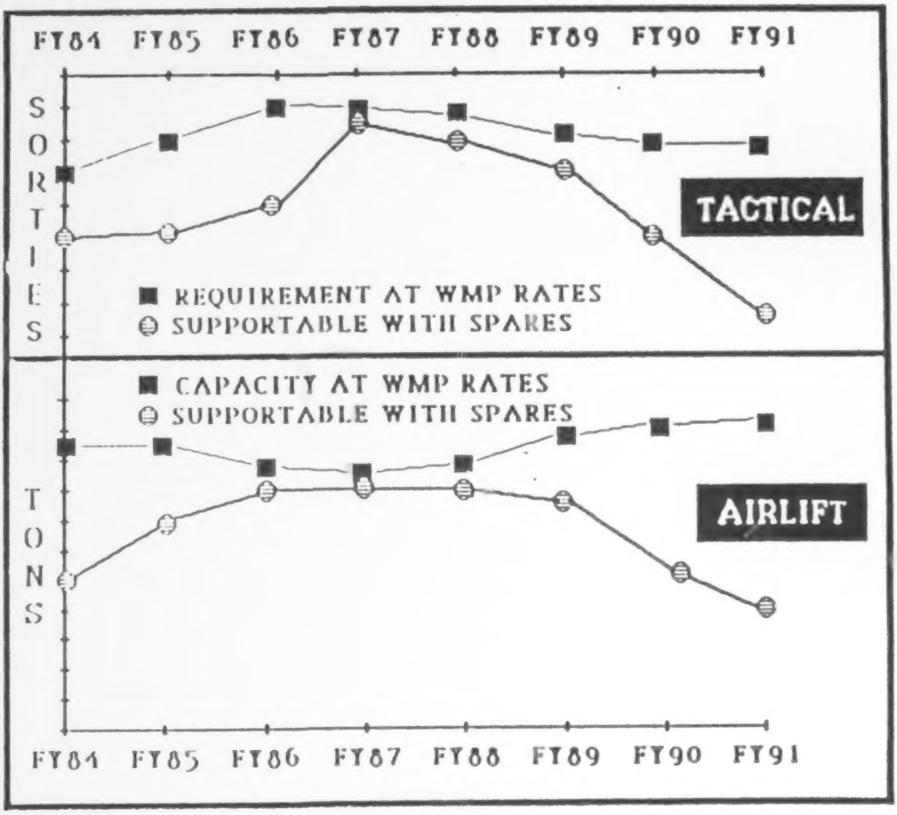
PEACETIME MISSION CAPABLE RATE

STRATEGIC, TACTICAL & AIRLIFT



3 MO MOVING AVERAGE

This chart shows our peacetime readiness rates. Because we have bought up peacetime spares, our mission capable rates have been maintained at high levels although we are starting to see now an inching down in those mission capable rates.



But as you can see from this chart, our war-fighting capability is quickly deteriorating. These concerns prompted my statement last year at this hearing that we are indeed a strong peacetime Air Force but with marginal staying power or sustainability.

However, we are doing everything possible to maximize our efficiencies and productivity. Our quality revolution has exploded and we are rapidly improving our processes. Doing it right the first time and exceeding customer expectations is our objective.

Additionally, AFLC has implemented several initiatives to deal with nonconforming parts. We plan to do more conformance inspections before acceptance and we are requiring the contractor to furnish certified test data to provide verification for conformance. We are identifying making better use of improved quality supplies and we are expanding use of warranties and inspecting existing stocks of critical parts.

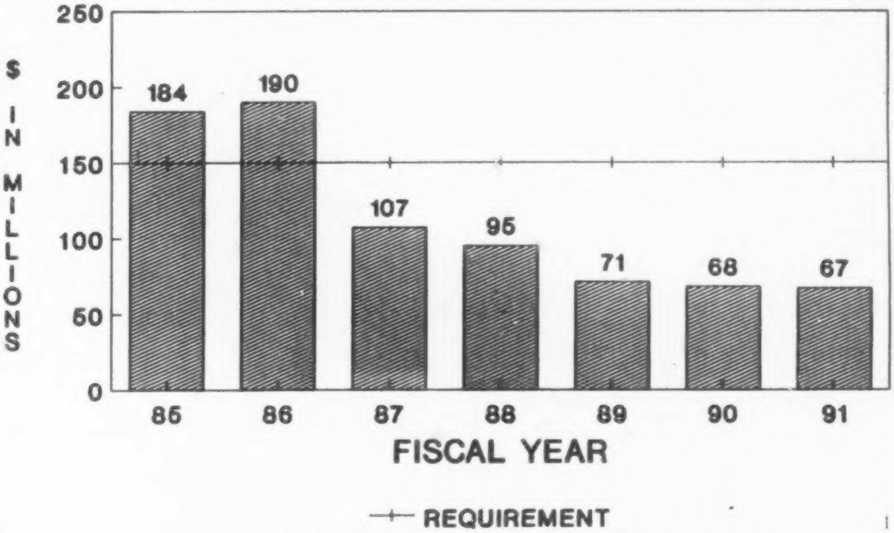
We are also building a data base to better track our vendor's performance.

Finally, there is one thing I would like to reiterate, and that is the critical need to fund the asset capitalization program or what I call plant modernization.

You simply cannot hope to logistically support weapons systems of ever-increasing complexity unless the industrial equipment is replaced and modernized. In addition, although the virtues of total quality management have been documented time and again, and although AFLC has been and has a very effective quality program in place, we cannot achieve modern competitive standards of quality in industrial areas without modernization.

That is why nothing could undercut the program faster or the progress we have made than the loss of ACP funding.

PLANT MODERNIZATION
ASSET CAPITALIZATION PROGRAM
(CONSTANT FY89 $)



This chart shows the downhill slide that must be reversed.

Recently, the GAO criticized the management of the asset capitalization program. While the criticism in a few cases was valid, I hasten to add that we have already taken the necessary corrective actions to ensure a viable program within the U.S. Air Force.

The benefits to be derived from this program are tremendous and I strongly urge your continued support. It is our lifeblood.

In conclusion, just let me add that providing logistics support is a terribly complex and costly business but if we are to validate the investment we have made in our weapons systems and have a combat capable Air Force, we have no choice but to meet the logistic challenges.

To do that in a resource constrained environment, we must have adequate funding and enough flexibility to maintain a balance among all of the elements of logistics. As I see it, that is the real challenge facing your committee.

Mr. Chairman, I thank you for the opportunity to make this statement and point out those areas of concern in logistics to the U.S. Air Force.

[The prepared statement of General Hansen follows:]

TESTIMONY OF
GENERAL ALFRED G. HANSEN
COMMANDER, AIR FORCE LOGISTICS COMMAND
WRIGHT-PATTERSON AIR FORCE BASE, DAYTON, OHIO

Mister Chairman and Members of the Subcommittee on Readiness, Sustainability and Support of the Senate Armed Services Committee: I appreciate your invitation to testify before you on the ability of Air Force Logistics Command (AFLC) to support the war-fighting commands today and sustain them tomorrow. I have prepared this statement to provide the following: an overall review of AFLC's responsibilities; the financial picture of the Command and what our portion of the President's Budget provides; a short explanation of how we provide and assess support to the Unified and Specified Commands; a description of the key AFLC programs in support of the total Air Force, and especially, the war-fighting commands; and some of the key initiatives undertaken since I assumed command.

OVERVIEW

AFLC provides the logistics foundation for the readiness and sustainability of the entire Air Force, as well as support for the other Services, NASA, and foreign military sales customers around the world. To do this, the Command has approximately 95,000 dedicated, quality people assigned. Eighty-eight percent are civilian employees, and the remaining 12 percent are blue suit Air Force people.

We accomplish our mission of keeping the Air Force combat ready through logistics by operating five large Air Logistics Centers (ALCs), four of which are the largest employers in their respective states. We also have the Headquarters at Wright-Patterson Air Force Base and several smaller, specialized activities such as the Aerospace Maintenance and Regeneration Center and the Aerospace Guidance and Metrology Center. Our five ALCs, however, account for the vast majority of AFLC's work force since they perform the materiel management, contracting, distribution, and maintenance functions necessary to preserve, maintain and control an inventory of nearly a million items.

To manage our primary weapon systems, we use the System Program Management Concept. This allows us to identify one individual responsible for readiness, reliability, quality, maintainability and support of a particular weapon system for the entire Air Force. We also have Item Managers who manage the individual items which comprise a weapon system.

AFLC's depot activities currently support 20,000 aircraft, 2,000,000 subsystem components, 1,000 ICBMs and 53,000 jet engines. Last year, the Command awarded 304,242 contractual actions worth $10.97 billion for a multitude of goods and services, and over 1.6 million shipments were made throughout the world from our ALCs.

Providing logistics support is a very BIG business. But when assessing logistics requirements in a constrained fiscal environment, we must recognize logistics as a key element in maintaining and sustaining the strength of our existing force structure. Unless we adequately fund logistics, we effectively compromise the investment we've made in that force structure.

That's why logistics requirements must not be perceived as competing with those of the war-fighting commands; logistics support is, in fact, both integral and essential to having war-fighting capabilities. It is imperative that we strike a balance between force structure and readiness/sustainability requirements. Budget resources must be allocated equitably across all elements, balancing new acquisition and other competing requirements to avoid critical shortfalls in the defense equation.

For four years, AFLC has been supporting an increasingly sophisticated force structure with logistics requirements in excess of the dollars available to provide optimum support. If we're to continue providing an acceptable level of support, we must have the flexibility to balance our resources during execution to obtain the most mission capability from available funding. For example, although our depot repair capability is a force multiplier for spares, constraints like the depot maintenance floor limit our ability to balance our overall capability to meet changing near-term requirements.

We must maintain our commitment to the Command's military and civilian work force, our data system modernization efforts, and the modernization and upkeep of our organic industrial base, as they too represent force multipliers.

In the late '70s, we responded to reduced funding by stretching the life of structural components, delaying maintenance actions, stretching out procurements, cutting manpower and resorting to less economical buys. What we got was less combat capability and significantly lower readiness and sustainability for the dollars expended.

As we face the evolving constrained fiscal environment, we are forced to consider similar actions again. However, this time we have to do things smarter, taking advantage of new and proven procedures and technological tools. Our challenge now is to reduce the cost of sustainability, and increase both the efficiency and responsiveness of our logistics infrastructure. In any event we must prevent returning to the hollow force of the 1970's.

We're moving to reduce the cost of logistics by putting AFLC early into the normal acquisition requirements process. In the past, the Command operated outside the process. The result was late requirements generation, identification, delivery and the continuing need to reprogram money. Today AFLC is now part of that process. In fact, I've now established a new requirements directorate and put a general officer in charge.

Our Reliability and Maintainability (R&M) Programs also give us great leverage in reducing the cost of logistics. We're focusing our R&M efforts on the 20% of the spares, which have a high failure rate, to provide the highest aircraft availability within the existing budget. With the Weapon System Master Plans that we have developed, we're also improving total life cycle management. By projecting operational requirements out ten years, we can coherently manage our systems starting from the drawing board, through the operational years, to the proven system years in our security assistance programs. It gives us a tool to establish a level of support with informed decisions.

Through technology insertion, we're also laying out our pathway to the future by looking at what support will be needed, and by developing a software master plan to meet the future requirements of supporting a virtual explosion of embedded computers. We've also put into place a Chief Scientist and Engineer to keep Air Force logistics in the mainstream of evolving scientific advancements.

Our second challenge is to increase the efficiency of the logistics infrastructure. Our most powerful tool to do this is total quality management. AFLC has taken the lead in DOD where total quality management is concerned. The Command's commitment to a quality program is already paying big dividends. Our Logistics Management Systems (LMS) modernization effort is providing the means to better identify requirements, allocate resources and control our logistics operation. As a result of the efficiencies from LMS we have been able to reduce manpower requirements by 3,000 spaces. We're also working to activate organic depot capabilities earlier, providing less expensive and more responsive logistics support for new weapon systems; and through our industrial re-manufacturing/repair review, we're zeroing in on improved quality, cutting inefficiencies in our product repair processes and developing models and techniques with a high potential for increased sustainability.

Our third challenge, as I see it, is to increase the responsiveness of the logistics infrastructure in view of declining budgets. The Command is already realigning its organizations to strengthen the role of the System Program Manager (SPM) to enhance accountability and resource control. We will continue to move more control authority to the SPM as the need evolves to ensure effective integrated management of our weapon systems. These actions will clearly identify both responsibility and accountability of our ever increasingly expensive weapon systems.

We're well along in normalizing space logistics through a joint effort with Air Force Systems Command and Air Force Space Command. We're also bridging the artificial split between depot and base-level logistics policy and data systems, and in the process, providing increased visibility over both depot and base-level concerns. In addition, forward stock and repair efforts for our overseas depots will allow us to repair more in theatre and this alone will increase readiness by putting stocks on the shelves of our war-fighters. The goal is to make the corporate best interests of the Air Force and the combat commanders the number one priority.

FINANCIAL

AFLC manages nearly $49 billion, including accounts for central procurement (aircraft and missile spares), foreign military sales support, and operations and maintenance (O&M). The emphasis of this statement will be on the O&M accounts, primarily Major Force Program VII (MFP VII).

The AFLC FY89 O&M amended budget represented a vital first step toward the essential recovery of logistics support funding. The Air Force's $6.7 billion MFP VII funding level represented real growth of 4.2 percent over the FY88 appropriated amounts. This growth was concentrated in depot maintenance and civilian payroll. We needed this kind of growth not only to preclude a recurrence of the drastic actions the FY88 level of O&M funding forced on us, but also to ensure the continued readiness of the USAF.

The FY90 budget essentially sustains the Depot Maintenance program, while reducing readiness support areas such as base operating support (BOS) and real property maintenance activities (RPMA).

However, reducing readiness support areas while keeping the force structure constant will adversely affect direct readiness in the long term.

Like other Air Force activities, AFLC took a fair share of the BOS and RPMA reductions. FY90 was programmed to be a recovery year from FY88 for these support areas; however, the reductions in these accounts have effectively taken all programmed recovery growth from the budget. This will have an adverse impact on our ALC infrastructure. Without a modern efficient plant infrastructure, we will be driven to inefficiencies, higher costs and lower productivity.

AFLC's FY90 budgeted civilian utilization rate will be approximately 96.5 percent. While the overall Air Force utilization rate decreased to 96 percent, the Air Force leadership recognized the importance of the AFLC civilian work force, and the program was partially protected. We need to maintain at least this level of funding if we are to continue our readiness and sustainability support to the operating commands.

The Depot Maintenance/Modification funding levels were reduced only for programmatic changes, and we anticipate depot maintenance funding will again be a special interest item in FY90. This is one of my areas of major concern. While depot maintenance is certainly a vital readiness account, it does not stand alone; rather, it is delicately linked to all accounts through which AFLC supports the Air Force mission. To maintain the right mixture and balance, I must have the flexibility to move resources between accounts to ensure the maximum return on each dollar. Artificially fencing accounts only results in inefficiencies.

For example, in FY89, approximately 54 percent of AFLC's MFP VII funding was fenced by the Congressionally imposed Depot Maintenance Floor. That left 46 percent of the budget to fund the remainder of AFLC's MFP VII programs. Of that 46 percent, 23 percent was "fixed" for civilian payroll requirements. The remaining 23 percent was spread among all other areas requiring funds to operate AFLC such as projects to repair and maintain our $13B physical plant, maintain compliance with environmental statutes, engineering to sustain weapon systems, development of technical data for depot activities, transportation for parts to their point of need, and funds for basic day-to-day operations.

Some management flexibility is available in these areas, but certain items like custodial services, refuse collection, commercial utility services, vehicle maintenance and other contract services require a basic level of funding just to maintain fundamental support services to keep the doors open. While we clearly share Congress' concern about the need to continue reducing depot maintenance backlogs and maintain our ability to project and sustain our forces, AFLC's funding posture must be considered holistically.

It is my responsibility to ensure a balanced logistics support program is provided to all USAF elements. Again, to do that, I need the flexibility within our MFP VII funding to respond to various requirements that generate during the year of execution which are less than budget lead time away, or result from changes in national policy or emergency/contingency situations. For example, I have hundreds of millions of dollars worth of utility systems, fire detection and alarm systems, industrial waste lines, roofing, roads and airfield pavements that I cannot adequately maintain with current funding. These are lifelines to my depot maintenance activities. In FY89, funding for the Real Property Activities Maintenance Program was $282 million as compared to a total requirement of $367 million. We received only $31 million to repair and maintain our physical plant compared to an annual, minimum requirement of $75 million. When the conditions of these buildings and utility systems threaten the depot operation or the health, safety, or well-being of our people, I must have the flexibility to divert funding to fix these problems.

Similarly, the cost of attaining and maintaining compliance with federal, state and local environmental statutes and regulations is steadily increasing. FY90 requirements will exceed actual funding by more than $20 million. Beyond facing up to our environmental responsibilities, failure to fund these requirements could result in notices of violation, lawsuits, and/or costly remedial actions. These requirements are not eligible for funding by DOD's Defense Environmental Restoration Account because they are generated as a result of continuing operations. While I recognize the intent of Congress by directing the floor, a three percent flexibility ($100M) in the Depot Maintenance Floor, would balance our program and still meet the Congressional objectives. Any amount above that should require either prior notice or prior approval before taking money away from the Depot Floor.

The FY90 Air Force request for Central Procurement funds balances initial requirements for new weapon systems against those needed to sustain and operate the existing force structure. For example, in the Aircraft Procurement Appropriation, AFLC requested a net increase of approximately $1.5 billion over the FY89 funding levels for major budget programs. The largest increases, approximately $835.2 million, are for initial and replenishment spares. Our increased initial spares request supports new weapon systems and modifications of older systems. Increases in replenishment spares attempt to sustain mission supportability. Modest increases in our support equipment and war consumable programs are offset by a decreased request for Aircraft Modification funds. Requirements for Modifications, Spares and Support Equipment outstrip funding requests significantly; but the requests are reduced even more within the fiscally constrained budget.

AFLC's Missile Procurement Appropriation funding profile reflects a decrease from the FY89 funding level of $401 million to approximately $238 million in FY90. Most of the decrease is attributed to cutting initial spares requirements for the second 50 Peacekeepers and also by a decreased replenishment spares request.

Our FY90 request for procurement funds for munitions, vehicles, and other base support equipment decreases from FY89 levels by $182 million. This allows some growth of approximately $120 million in our request for electronics and telecommunications equipment. Overall, our request for funding in the Other Procurement Appropriation is some $60 million less than FY89 funding levels. This continues a trend of reduced funding for these equipment items. FY89 funding is $125 million less than FY88 and is almost $525 million less than FY87.

The final slice of our financial pie is Foreign Military Sales (FMS) management. As previously mentioned, AFLC manages $24.3 billion (active case value) of the total Air Force program of $65 billion. For example, we provide logistics support for more than 60 types of aircraft in 88 countries; 4,000 of our people are funded by the supported FMS countries. We provide these countries with initial support for their systems, spare parts and follow-on support. The FMS Program is not only good international relations, but also allows a degree of burden sharing between the U.S. and its allies as we draw from the same pool of spare parts where possible. One billion dollars worth of these spares, however, belongs to our FMS Customers. In short, FMS management is also important to AFLC and provides our country and its allies needed capabilities.

LOGISTICS SUPPORT TO UNIFIED & SPECIFIED COMMANDS

AFLC supports Unified and Specified Commands through its support of Air Components assigned to these commands. Specifically, AFLC's Logistic Operations Center (LOC) and System Program Managers at five Air Logistics Centers provide the link to these customers. Our recent major organizational realignment (PACER STRIDE) served to develop an organization that enhanced the roles of the System Program Managers (SPM) and the system Coordinating Officers (SCO) at the LOC. The peacetime and wartime interface between the SPM, SCO and our war-fighting customers should be emphasized to demonstrate how AFLC is undergoing organizational realignments to support the Air Force mission through better weapon system support.

Specifically, we have enhanced the role of the LOC by giving the LOC Commander authority to direct subordinate units and represent HQ AFLC in operational planning and wartime execution.

We increased the authority of the SPM in the relationship with the war-fighting Commands by using on site weapon SCOs to advocate customer priorities and develop program decision packages for weapon systems. The orientation by the SPM away from item management to integrated weapon system management will provide enhanced weapon systems availability.

Our Weapon System Master Plans mentioned earlier develop logistics support programs to meet projected mission requirements for the next ten years based on pay off to combat capability. In addition, we do combat capability assessments for each weapon system, assign logistics liaison officers to each Air Component Command, and participate in JCS Exercises, which provides immediate training feedback and insight into how well we react to theatre demands.

COMMAND PROGRAMS

LMS MODERNIZATION

The modernization of our Logistics Management System (LMS) remains one of my top priorities. The sheer numbers and complexity of the transactions we must perform daily demands we use the kinds of modern data processing and telecommunication techniques our LMS program provides. LMS modernization is reorienting our data systems from peacetime efficiency to the capability of responding immediately to wartime surge requirements. Without LMS modernization, we would compromise the logistics support of our high-tech weapon systems, and ultimately, the combat capability of our war-fighting commands.

The LMS Modernization Program consists of nine major programs being developed incrementally. Each increment undergoes formal milestone reviews at major acquisition and programmatic decision points. Each increment, then, is brought to operational status and its contribution verified as we move to subsequent increments. Each program is also managed as an individual project and is in a different stage of acquisition and development. All programs are on contract, with multi-phased programs scheduled for follow-on contract awards in the future.

The nine core programs are developed as a system of modules which are implemented when completed. All programs have achieved Initial Operational Capability (IOC), and two programs achieved Full Operational Capability (FOC) during 1987. The remaining systems are expected to reach FOC through FY94. Today, the Weapon System Management Information System (WSMIS) is on-line determining the C-ratings Air Force-wide and identifying supply problems which impact readiness and sustainability. We now take one to seven days for this process instead of the 60 to 90 days it used to take. The Requirements Data Bank has automated program allocation for aircraft and missile modification budgets. The Local Area Network now provides timely access to more than 14,000 users. The Depot Maintenance Management Information System lets us order parts needed for production support in seconds instead of days. And the Engineering Data Computer Assisted Retrieval System permits faster bid set preparation resulting in decreased lead time, increased efficiency and taxpayer dollars saved.

In terms of tangible benefits, each program has undergone a thorough Air Force Audit Agency benefits validation assessment at the direction of the Major Automated Information Systems Review Council. The result: $1.7 billion in validated savings from tangible benefits for the LMS modernization program.

The FY90 President's Budget (PB) provided total program funding based on the minimum required to permit continuation of the LMS modernization development effort, and to provide support to those systems already installed and running.

CIVILIAN PERSONNEL & MORALE, WELFARE & RECREATION (MWR)

AFLC's work force differs significantly from the traditional military/civilian mix found in operational units. The Command is about 88 percent civilian and 12 percent military which is almost directly opposite the ratio found in other commands. Civilians represent the core of AFLC's logistics support capabilities; like warriors in front line commands, AFLC's "civilian warriors" provide combat capability to the Unified and Specified Commanders. They are an extremely important factor in the readiness and sustainability equation.

In AFLC, the majority of civilian pay is budgeted from O&M resources under MFP VII. Consequently, reductions in MFP VII funding levels have an immediate impact on the Command's work force and this ultimately translates very quickly into lower USAF readiness rates. This is particularly true given the number of civilians we rely on.

Additionally, while cuts in operational command civilian work forces primarily impact air base support functions, reductions in AFLC's civilian work force directly impacts mission requirements in the critical areas of readiness and sustainability.

The Command experienced a great deal of turbulence in its work force as a result of actions taken by the Air Force to accommodate the late congressional budget mark in FY88, congressional restraints on budget flexibility within the depot maintenance and modification account, and the work force recovery effort in FY89. Because of the funding problem, we decided to take stringent measures such as hiring freezes and early retirements to drive civilian employment down from FY86 levels by some 11,000 people. In fact, during FY88, funding levels fell so low that they resulted in our requesting and receiving ten days furlough authority for our permanent employees, as well as the potential release of more than 1,500 on-calls and temporary employees. We also had to drastically reduce overtime and awards. These actions went well beyond our earlier moves like early retirement programs and hiring freezes. Fortunately, Congressional support of an Air Force reprogramming provided sufficient funds for the Air Force to avoid either a furlough or release of on-calls and temporary employees.

With an improved civilian pay funding picture for FY89, we decided to hire to our FY89 O&M authorized manpower level. This resulted in an overall command-funded civilian work-year program of 96.6 percent and increased employment levels by 3,600. This increase is a positive step toward rebuilding a work force which had been severely reduced over the past two fiscal years.

The FY90 budget request would continue to fund civilian pay at approximately a 96.5% utilization rate. We are hopeful this request will be fully supported. Any Congressional reduction from that level could force us in FY90 into reducing O&M employment levels back to near FY88 levels. This could result in many of the employee turbulences experienced last year. This, combined with the ups and downs of the past several years, could seriously impact our work force. Congress can best help by ensuring funding stability and management flexibility. We also need early passage of the FY90 budget so we can immediately posture and stabilize our work force.

Another area of interest where our people are concerned involves Morale, Welfare and Recreation (MWR). Congressional actions have eliminated much of the appropriated fund support for our MWR activities. The message was clear: MWR programs must be more efficient and economical, and thus activities with low use rates should be eliminated, pricing policies should result in financial stability, and commercial and civilian community alternatives should be pursued.

The military departments have, in fact, already implemented substantial reforms in making MWR operations more business-like to comply with Congressional direction. But, we need relief from many of these restrictions. So long as overall appropriated fund support for MWR was stabilized at FY87 levels, we could migrate these dollars out of category C activities into categories A and B, as initially envisioned by House and Senate committee conferees. Now, however, in a constrained budget environment and without the flexibility to put remaining resources where they're needed the most, we could be compelled to raise prices which could drive members elsewhere and ultimately could substantially reduce essential MWR activities. Such an action would touch the lives of all our military men and women, and potentially precipitate serious morale problems. Our ability to attract and maintain quality people could be impacted well into the next decade.

What we need is more flexibility to decide MWR fund mix questions to best meet the particular needs of our people. We can make the program work without more taxpayer dollars, but we must have the flexibility to call the shots on where, when and how we will reduce total MWR spending.

Also, while on the subject of care for our people, I cannot in good conscience neglect comment on the medical user fees proposal to introduce co-payments for military members in Military Treatment Facilities. This proposal could have serious negative impacts on service, morale and retention. I believe it abrogates the implied promise of free medical care and diminishes a sense of security that family members will receive care regardless of family financial status.

DEPOT REPAIR AND MODIFICATION

The Depot Maintenance and Modernization program is a significant portion of MFP VII. This program funds depot level maintenance, including repair and overhaul of complete aircraft, missiles, engines, major equipment end items and repair of spare assemblies. This repair of spares is particularly important to war-fighting capability in a time of tight budgets. It also funds modification installation and augments organizational and intermediate level repair when appropriate.

Last year AFLC was projecting a depot maintenance backlog with modernization of more than $800 million in FY88. In fact, we ended FY88 with a backlog of $274M. This significant reduction occurred for several reasons.

First, the projected backlog was reduced by receipt of additional funding in July 1988 as a result of an Air Force reprogramming action. Second, reductions resulted from programmatic changes such as the Ground Launched Cruise Missiles (GLCM) phase out. Third, we eliminated from the backlog certain categories of maintenance that cannot be carried forward. For example, aircraft scheduled to be painted during programmed depot maintenance (PDM), if not painted will not be available for painting again until the next PDM cycle several years away. Fourth, we experienced better than anticipated reliability from some of our new systems such as the F-110 engine. Fifth, delays in transitioning requirements from Interim Contractor Support (ICS) and decreases in unit sales prices accounted for another reduction; and, finally, miscellaneous over-projections and MAJCOM work-arounds accounted for the remaining reduction. Currently, we are forecasting ending FY89 and FY90 in a comparable backlog position.

SPARES

Both initial and replenishment spares directly contribute to Air Force readiness/sustainability although the effects of underfunding are often masked by the length of the acquisition pipeline. Additionally, the congressional budget reductions in 1988 and the recision of program year '87 dollars in the FY89 Appropriation Bill, resulted in nearly a half billion dollar reduction that is now having a serious impact on sustainability. Mission capable rates are beginning to erode for the first time in several years, a trend which may be very difficult to stop.

In terms of initial spares, our most critical FY89 unfunded requirements include $37.0 million for the MC-130H (Combat Talon II), $21.0 million for the C-17, $18.5 million for F-15, and $30.1 million for the F-16 Airborne Self-Protection Jammer System. We also lack funding for unprogrammed requirements like the C-130H procurement. We're currently working to reprioritize remaining resources to support the highest priority requirements.

We also see problems ahead in replenishment spares in terms of maintaining sustainability. In FY90, our budget request is only 45 percent of our total requirements. While spares for the peacetime flying hour program are fully funded, our war reserve materiel is not. With funding for war-fighting spares at 14 percent, the majority of our newest, most capable aircraft do not have war sustainability spares and it will be several years before even a slight recovery can be achieved. The fact is that there have been no war sustainability spares funded in support of modifications to maintain or extend the capabilities of existing aircraft in the Air Force inventory, and we have requested no funding for Other War Readiness Materiel. The bottom-line: we will be able to support initial contingency operations but may not be able to sustain them to a satisfactory conclusion.

SUPPORT EQUIPMENT

Our Common Support Equipment Program budget request is also well below the total requirement. This critical element provides the organizational and base investment equipment used in direct support of aircraft requirements for out-of-production aircraft and the common support for aircraft either entering the inventory and/or being modified.

Our FY90 request of $352M for support equipment is for avionics test stations, generators, munitions handling equipment, air conditioners, noise suppressors, Electronic Warfare (EW) test sets, and maintenance platforms. It also supports Special Operations Forces as well as numerous common items for new acquisition aircraft: the B-1, B-2 and C-17. The Ground Power Generator System is our largest single procurement ($71.6M) and will provide electrical power and conditioned compressed air to all our tactical fighters. Since the FY90 funding level supports only about 58 percent of our requirements, replacement programs to upgrade Organization and Intermediate (O&I) level support equipment worldwide will be delayed. We will continue operating equipment that is expensive to maintain and to operate. As mentioned in the Overview, we must have a balanced logistics support program, including all needed elements, if we're to have adequate levels of readiness and sustainability.

FIRST AND SECOND DESTINATION TRANSPORTATION

Last year I testified about the critical shortfall in the First Destination Transportation (FDT) and Second Destination Transportation (SDT) accounts, and need now to reemphasize just how important these accounts are to the overall readiness and sustainability of our combat forces. FDT funds the movement of materiel from the point of origin (usually the manufacturer) to the point where the items are first received for storage or use in the CONUS. SDT covers all subsequent movements of materiel, including not only new material covered by FDT, but also those items repaired by our depots and subsequently returned to service. Essentially this includes all over-ocean cargo and all material moving back and forth between the ALCs and every USAF location throughout the world.

The reduced budget levels of FY88 and 89 brought with them some hard lessons. Sustainability was impacted directly. For example, a drastic reduction in the use of air shipments in favor of surface transportation immediately added 40-50 days of in transit pipeline time to and from our overseas forces. We also deferred the shipment of War Reserve Material (WRM) munitions and stranded many new vehicles at the seaports until funding became available. We cut our logistics airlift (LOGAIR) service to six days a week. Though a six day LOGAIR service is considered prudent in today's environment, it reduced our movement capacity by 19 percent and eliminated Monday deliveries to our CONUS customers. However, by holding the line at this point, we did preserve the infrastructure under which full service can be provided when cargo movement volumes increase or national requirements dictate. And over and above the program-wide cuts, we scrubbed the requirement and challenged every line-item in the budget that uses transportation money. In short: we did what was necessary to meet the budget limitation.

What appeared to be prudent management, however, had such far reaching impacts that we not only transferred but also multiplied the financial burden to other accounts and impacted operational readiness and sustainability. The operational commands already are seeing leading logistics indicators declining, and the trends are not good as we head for FY90.

Extended pipelines and underfunding are increasingly eroding sustainability assets available at base level to support our forward combat forces. In fact, with the present level of funding for SDT in FY89, we will continue to hold 10,172 tons of air munitions in the CONUS procured for overseas use, and perpetuate the poor positioning of 43,106 tons of air munitions in Europe. Similar stories can be told for other theatres of operation especially for newly acquired systems. The 1990 budget request, funds 90% of our total requirement.

STOCK FUND

The Systems Support Division and General Support Division of the Air Force Stock Fund are critical elements in supplying combat logistics support. Since it is a self-supporting, revolving fund reimbursed with O&M dollars, it still requires appropriations to support new forces and operations. Nevertheless, our request is important.

We ask for appropriations first to augment the revolving stock fund inventory to support new or modified weapon systems entering the inventory. The Stock Fund buys the new repair parts vital to the day-to-day operations of newly acquired systems. Second, we must also invest in WRM assets in order to sustain wartime operations.

Our FY90 portion of the Inventory Augmentation (IA) request of $209.1 million primarily supports initial provisioning for the C-17, B-2, F-15E, F-16C/D, F-16 ADF and LGM-118 fleets. IA overall is funded 73 percent for modernization and modification with no funding for readiness initiatives. The Systems Support Division (SSD) portion of the funding fully funds the C-17 but all other weapon systems are only 81 percent funded. General Support Division (GSD) modernization and modification requirements are fully funded.

SSD and GSD Stock Fund WRM funding of $60.9 million provides repair parts for aircraft systems and subsystems, vehicles, communications and electronics equipment and bare base equipment. WRM is funded at 19 percent of the requirement, WRSK/BLSS is 54% funded; Depot Maintenance Spares Kit (DMSK) and Other War Reserve Materiel (OWRM) are not funded. SSD WRM funding is less than one percent overall with the C-17 WRSK the only category funded; GSD funding is 74 percent for WRSK/BLSS. We have lost ground in augmenting the revolving stock fund with IA and meeting sustainability goals over the past several years. A reduction in FY90 to the Stock Fund similar to FY89 will cause severe problems throughout the Air Force.

AIRCRAFT MODIFICATIONS

The modification program provides existing aircraft with new capabilities like the CFM-56 engine for the KC-135 fleet or the Special Operations Forces Improvement mod on the C-130 tanker. Modifications also correct fleet safety and deficiency problems and improve aircraft R&M. Examples of these Class IV mods include installation of the Ring Laser Gyro on the F-111D/F fleet (which saved $140 million in lifetime costs) or the Main Aircraft Battery modification on the F-16 (which already improved Mean Time Between Failure (MTBF) on Navy F-18s by 78.5 hours and reduced removals from 26.6 to 1.5 per 1,000 flying hours).

Funding levels for the modification program in FY90 are $69.8 million for 18 Class IV new starts; and in FY91 $35.5 million is budgeted for seven Class IV new starts.

The aircraft modification program is important to balanced logistics support and we ask for continued support for a program which provides capable, older aircraft at a cost lower than new procurements.

ASSET CAPITALIZATION PROGRAM (Plant Modernization)

The Asset Capitalization Program (ACP) was approved by Congress in FY83 to replace and modernize aging industrial equipment, and thereby upgrade the Air Force Depot Maintenance Industrial Base. The program provides Industrial Fund activities with the capability to fund capital assets by including an amount in their sales rates reserved for ACP acquisitions. ACP, which does not receive a direct appropriation from Congress, includes funds for modification of equipment, minor construction (less than $200,000) and management information systems costing more than $100,000.

ACP's contributions have been significant, resulting in a safer environment with actual benefits of $344.5 million on an investment of $317.6M. Quality has been enhanced as old, obsolete equipment incapable of holding strict tolerances was replaced by technologically advanced units which can produce far better products more consistently, and at a fraction of the cost. Inadequate funding of ACP now would extend the time-lines for equipment replacement. At current funding levels, it will take 42 years to replace the current inventory of depot maintenance equipment. ACP is a key ingredient in maximizing productivity.

Maintaining a quality product will become increasingly difficult and our ability to modernize our industrial equipment base to meet the President's 20 percent productivity improvement goal will be in jeopardy. Our organic capabilities will also lag behind private industry's; private industry invests six to seven percent of its sales in capital equipment, while ACP funding has averaged only 4.8 percent of organic sales since the program began.

We need to match annual equipment depreciation expense levels of $131.5 million for FY90 and $142.1 million to maintain an acceptable program level. Without support for this critical program, the strong productivity improvements made during the past six years will be reversed, and planned equipment projects will require costly contractor support.

MILITARY CONSTRUCTION PROGRAM (MILCON)

While I realize that MILCON is centrally appropriated, the present funding for revitalization of our facility inventory only allows us to replace our physical plant on a 100 year cycle, while industry is on a 25 year cycle. Without greater support for MILCON, I believe we will soon face severe problems in sustaining the operation of our physical plant assets. However, there is one bright spot, Congress has shown great support for family housing improvements. Unfortunately, despite good funding over the past years, we'll still require more than 20 years to refurbish the Command's entire family housing inventory.

NEW INITIATIVES

AFLC has a large number of new initiatives in work, including, among others, Child care, Procurement Improvements, and the Command's Quality Program.

AFLC's immediate plan to comply with the Federal Arbitration ruling on providing child care for the work force is to expand existing facilities to accommodate 50-70 civilian dependent children at each installation. The expanded program will be managed by Air Force MWR as part of the military child development program. Children of civilian employees will be afforded safe, well-equipped and well-managed child development programs.

Expansion projects are currently under design at each base with a planned construction completion date of December 1989. Total estimated cost is about $1.8 million for construction and renovation and $360,000 for equipment. The Comptroller General ruled in 1988 that appropriated funds may be used to upgrade existing day care facilities for civilian employees, and it's important that we make such funding available.

The Command also continues to work many initiatives in the procurement arena. Multiple Year Contracting (MYC) award dollars have increased from $3.5B of central contracting obligations in FY87, to $3.8B of FY88 obligations. Total contract actions issued using MYC techniques showed a positive trend during the same period.

Blue Ribbon Contracting was institutionalized across the Command during FY88. Under the initiative, proven vendors with good track records may be awarded a contract even though they're not the lowest bidder, if to do so represents the best value to the government. More than 300 contractors have applied for the program and 82 firms are now eligible for award under the program.

We also exceeded our FY88 goal for competitively awarded contracts and have addressed the problem of excessive acquisition lead times by employing "commercial-like" buying practices and developing long-term relationships with "best value producers." Additionally, AFLC has developed initiatives which emphasize doing business with those companies with the best quality track records.

AFLC also has several efforts underway to enhance the quality of the contracting work force. PACER PRODUCE was initiated in 1983 to recruit highly qualified personnel and provide initial training in DOD mandatory contracting courses prior to duty assignment. We have recruited over 1368 contracting personnel, over 81 percent of them have a bachelor's degree. The overall educational level of our work force shows over 56 percent have a bachelor's degree and 14 percent a master's. In FY88, we developed, and the ALCs instructed, a first level supervisor's course to help new supervisors manage purchase request work load and reduce administrative lead time. We established an exchange program with Air Force Systems Command's Contract Management Division (AFCMD) which allows us to send trainees through a two-year rotation program at Air Force Program Representative Offices (AFPROs) with large AFLC contracts. Subsequently, they are brought to headquarter's staff or field activities and assigned to contract administration divisions/ directorates.

We are currently initiating an in-house training program to develop specialized courses which supplement DOD mandatory contracting training. The program will provide specialized/technical contracting skills in all functional areas directed toward "performance improvement."

Also we provide on-campus recruiting support to the Air Force Civilian Personnel Management Center (AFCPMC).

According to the AFCPMC, AFLC has the highest percentage of mandatory contracting courses completed of any major command in the Air Force. We have developed these innovative approaches to recruit, train and professionalize our contracting personnel to foster acquisition excellence.

We still find ourselves forced into inefficiencies by legal and policy constraints. Over the past few years, AFLC has sponsored law and policy changes which would provide significant relief in terms of lead times, administrative costs, paperwork, mission support, and streamlining; and we've identified legislative irritants which, for the most part, require only minor technical changes to correct the problem.

In terms of Total Quality Management, AFLC has taken the lead in the DOD with its Quality Program. The program involves all people in the Command, includes all logistics processes, and focuses on performance and product. The quality program, called

"QP4"

(PEOPLE: Management Commitment & Employee Awareness/Participation

+

PROCESS: Continuous Process Improvement

+

PERFORMANCE: Customer Satisfaction

+

PRODUCT: Produce Quality and Supplier Relationships)

was developed internally within AFLC after reviewing current literature and practices of the discipline. It encompasses reliability, maintainability, and productivity, and is conceptually based on the philosophy of Continuous Process Improvement.

QP4 is process oriented, cutting across the entire spectrum of logistics operations, and relying on Process Action Teams (PAT) to study and recommend improvements and enhancements. We now have more than 700 PATs in operation, functioning with top-down commitment and generating bottom-up involvement. We've also developed quality tools and an extensive training program, and we're changing the culture within AFLC to make quality a way of life for everyone.

The emphasis is on process understanding, simplification, improvement, and control and on trusting our people to do the job they know best, and to do it right the first time. We're also keying on identifying and eliminating non-value-added steps in our processes, and on de-emphasizing short-term gains and benefits where long-term quality improvements can be realized.

The Command's commitment to quality is evident in its recently released "Quality Bill of Rights", its core TQM training program and strategic implementation plans, as well as regulatory guidance. Doing it right the first time, terminating non-value-added steps and minimizing scrap and rework, will add significantly to combat capability.

Besides child care, procurement and quality, I want to mention one other initiative at this point: the AFLC Requirements Planning Process. This initiative is designed to improve infrastructure and weapon system support planning. It is designed to generate required logistics research, development and acquisition activities.

The new AFLC requirements process is critical to keeping fielded fleet technology current and it will become even more critical in the future as new acquisition programs diminish. This new process integrates strategic planning, weapon system support planning, and infrastructure planning to provide a coordinated identification of support needs including advanced technology requirements. The program, which is tied to DOD and USAF strategic planning, as well as AFSC's technology forecasting, will ultimately provide more timely organic support by focusing development and infrastructure resources available where required.

OTHER CHALLENGES

I believe it would be useful to address specifically two other challenges facing AFLC: improving spare parts quality, and personnel management in a declining work force.

IMPROVING SPARE PARTS QUALITY

To improve spare parts quality, the Command has implemented several initiatives.

First, we're doing more conformance inspections for selected characteristics before the government accepts the part and while the contractor is still responsible for making corrections. Second, we're requiring the contractor to furnish certified test data to allow verification of conformance and provide a record of the contractor's performance. Third, through our Blue Ribbon Contractor initiative, we're identifying proven sources of selected parts and making them eligible for additional contract awards. Fourth, the Command's use of warranties will be expanded to allow correction of problems at no additional cost to the government. Fifth, we will be inspecting existing stocks of critical parts to verify conformance. And finally, we will establish a data base to track our vendors' performance in the area of quality, and rate them accordingly.

Ultimately, our goal is to identify our best suppliers and then establish a long term relationship. Additionally, as we build confidence in a contractor's quality performance, we'll work to reduce government inspection requirements for these Blue Ribbon Suppliers. We'll also encourage our vendors to adopt TQM principles and hopefully expand the base of contractors embracing modern quality concepts.

PERSONNEL MANAGEMENT IN A DECLINING WORK FORCE

As mentioned earlier, in the FY87-88 period, we cut O&M payroll expenses through hiring freezes, early-out programs, and severe limitations on overtime and awards. Fortunately, we did not have to release our temporary and on-call employees as originally planned and we did not have to furlough the permanent work force. But DoD/AF management decisions made to accommodate Congressional budget reductions did create severe skills imbalances and productivity problems and due to the employment freeze, AFLC did fall below the wartime "critical mass" in DMIF manning during FY88.

In view of declining resources, the AFLC civilian work force can provide enhanced sustainability by surging repair. This dedicated group of civilian warriors will play an important role in any future contingency.

We see, then, one of our greatest challenges to be maintaining combat capability through a highly productive and motivated logistics work force.

CONCLUSION

Throughout this statement, I have attempted to identify some of the major challenges facing AFLC, particularly those associated with supporting an increasingly sophisticated force structure during a time of severe resource constraints. It's important to reiterate that the combat capability of the United States Air Force is built, first and foremost, on the foundation of logistics. Logistics shortfalls, by definition, will impact the readiness and sustainability of our combat forces.

One of our most serious concerns is the health and well-being of our logistics work force. Because this work force is predominantly civilian and funded through O&M accounts, shortfalls in these accounts, coupled with the lack of flexibility to deal with these shortfalls, can have a devastating impact on the Command's ability to support the operational sector. Funding for our civilians is both integral and essential to having war-fighting capabilities, because like warriors in operational commands, they play the paramount role in maintaining weapon system availability and effectiveness.

Because of the hiring freezes, early out programs, and the furlough threat of FY88, AFLC effectively dropped its civilian manpower level to about 80,000 employees down some 12,000 from the early '80s. We originally speculated that this level would be too low, but there's no need to speculate any longer. We now know from tough experience that we can't do the logistics job we're charged with doing at that manpower level.

Today we've postured ourselves at 83,500 civilians, which we have determined to be an optimum level. Now we know for a fact that we will be driven to inefficiencies if we go much below this level. Our work force has been very concerned about a proposal to terminate the 60/40 lump sum benefit by July 1, 1989. However, we are encouraged that the April 14 agreement between the President and the leadership of Congress appears to support continuing this benefit for FY90. There are approximately 5,000 AFLC employees now eligible for retirement. Roughly 15 percent of these employees will retire within the next year. However, since 80 percent of our retirees elect the lump sum option, we believe the fear of losing this important benefit would cause many people to retire ahead of schedule. Our personnel offices are reporting increased numbers of employees seeking information about establishing retirement dates in May or June.

I must also have more flexibility to deal with O&M shortfalls, especially where civilian pay is concerned. And I need more flexibility to meet the quality of life needs of my people. We can make the program work without more taxpayer dollars, but not without more flexibility to call the shots on where, when and how these O&M dollars are spent.

Finally, while on people issues, I cannot in good conscience neglect commenting on the medical user fees proposal to introduce co-payments in Military Treatment Facilities. I'm concerned because it makes it appear our government is going back on its word again. I believe this could destroy our credibility at the very time we need it the most, especially with our younger members. And it can set an unfortunate precedent for the future.

Another area of substantial concern involves spares how many we're buying, and the quality of those we buy. Both initial and replenishment spares directly contribute to Air Force readiness and sustainability. As we continue to exhaust the supply of spares funded in the mid-'80s, we'll continue to see a drop in mission capable rates. For the most part, we have not been funding war-fighting spares; in fact, most of our newest, most capable aircraft do not have adequate war sustainability spares. Consequently, I have serious reservations about our ability to sustain wartime scenarios.

In terms of quality, AFLC has implemented several initiatives to deal with non-conforming parts. We're doing more conformance inspections before acceptance, and we're requiring the contractor to furnished certified test data to allow verification of conformance. We're identifying and making better use of proven suppliers, and we're expanding the use of warranties and inspecting existing stocks of critical parts. Also, we're building a data system to better track our vendors' performance.

Finally, there's one other thing I'd like to reiterate, and that's the critical need to fund the Asset Capitalization Program, or what I call "Plant Modernization." You simply can't hope to logistically support weapon systems of ever-increasing complexity and sophistication unless industrial equipment is replaced and modernized. In addition, although the virtues of total quality management have been documented time and again, and although AFLC has a very effective quality program in place, we cannot achieve modern, competitive standards of quality in our industrial areas without modernization. That's why nothing could undercut the progress we've made faster than the loss of ACP funding.

In conclusion, let me just add that providing logistics support is a terribly complex and costly business. But if we're to validate the investment we've made in our weapon systems, and have a viable, combat-capable Air Force, we have no choice but to meet the logistics challenge. To do that in a resource-constrained environment, we have to have adequate funding and enough flexibility to maintain a balance among all the elements of logistics. As I see it, that's the real challenge facing your committee.

Senator DIXON. I thank you, General, for your excellent presentation.

Admiral Arthur.

STATEMENT OF VICE ADM. STANLEY R. ARTHUR, U.S. NAVY, DEPUTY CHIEF OF NAVAL OPERATIONS FOR LOGISTICS, OFFICE OF THE CHIEF OF NAVAL OPERATIONS

Admiral ARTHUR. Thank you, Mr. Chairman. It is a pleasure to be here this morning and give you a report on the readiness and sustainability of the Navy today, and to specifically address some of the issues that were covered in your April 20 letter.

The Navy continues to be ready to support our national policy throughout the world. Adequate numbers of forward deployed trained personnel and the proper types and numbers of ships and aircraft are of course the key ingredients.

To operate as combat ready units, our deployed forces require ordnance, spares, fuel, basing facilities, and maintenance support. These issues will be addressed later, but first I would like to give you some indication of our preparedness today.

We require our unit commanders to provide a status report which provides an objective and subjective assessment of the unit's ability to perform its primary wartime assigned mission. The overall readiness of our ships and aircraft has improved—100 percent for ships and 250 percent for aircraft since 1981.

We also use other measures of readiness that are indicators of the materiel condition of our aircraft and ships. Aircraft materiel readiness is measured in mission capable and full mission capable rates based on actual maintenance data. Our full mission capable rate has again improved by 66 percent and the mission capable rates by 23 percent since 1981.

Ship materiel readiness is also measured in terms of time free of major equipment casualties, and they are reported on a recurring basis. Again, that trend has been up since 1981 to a tune of 64 percent.

So the readiness levels that we are achieving today are in fact above the goals that we have set in the past. But they have leveled off, and we predict that they will decline slightly over the next few years as our funding levels have softened.

I would like to turn now to some of the more detailed questions that were addressed in your letter.

Our Navy supply system is made up of eight supply centers and two inventory control points. All continue to provide outstanding logistics support.

Receipt and issue processing times are at our standards, and our inventory accuracy rates have improved by almost 80 percent since 1981. We are committed to continuing to address aggressive actions to improve the fleet support in terms of quality, accuracy, and productivity.

But funds for our computer acquisition programs must be protected to enable us to take advantage of state of the art technology.

No matter how much we modernize, however, the supply operations mission is still going to depend on people. Over the past 3 years, our productivity initiatives have resulted in the saving of 3,400 people. However, we believe we are stretched to the maximum extent. Our fiscal year 1991 budget guarantees minimum labor levels, but we need your support to maintain these levels.

Availability of spare parts has reached unprecedented highs. Navy goals, which were previously thought to be unattainable, have been met or exceeded in several areas. Ship and aviation spare parts availability increased 33 percent and 30 percent respectively.

The Navy stock fund continues to be a well-managed and solvent account. Spare part inventories procured with the stock fund have grown, primarily as a result of weapons systems modernization in the 1980s, price escalation, and DOD Navy decisions to retain rather than dispose of older system stocks.

Our fiscal years 1990-91 spares program is designed to maintain current levels of readiness. However, it is a bare bones budget, and we have no margin for error.

Our conventional ordnance, as with our spare parts, contributes to both of the pillars: readiness and sustainability. Our fiscal years 1990-91 procurement plan for level-of-effort ammunition, except for sonobuoys, will maintain sustainability at the current levels. Sustainability for some items will grow slightly and some will go down, but in the aggregate, we will hold our own.

In the area of preferred threat munitions, the very sophisticated munitions—missiles and torpedoes—fiscal years 1990-91 procurements also let us maintain near-current levels of readiness.

Ship depot maintenance in the seventies was accomplished almost entirely during overhauls. In the late seventies and early eighties, we started to change that strategy by using shorter, more frequent restricted availabilities as a substitute for some or all of a ship's overhaul availabilities.

By 1988, almost one-half of our ships will use restricted availabilities and never undergo what we used to call an overhaul.

Senator DIXON. They will do what, Admiral? Could you repeat that?

Admiral ARTHUR. They go through what we call a restricted availability, rather than full overhaul. We do these more frequently and in smaller packages. In fact, our Navy-wide restricted availability funding exceeds regular overhaul funding, and this trend will continue in the future.

The fiscal year 1990 maintenance and modernization program shows 15 active overhauls and 151 restricted or technical availabilities. There is a 10 percent increase in fiscal year 1990 funding above fiscal year 1989 due to more expensive availabilities of nuclear-fueled ships. The backlog of ship overhauls deferred for lack of funds is considered to be within the bounds of acceptable risk—that is, four in 1990 and five in 1991.

On the aircraft depot maintenance side, our naval aviation depots have embarked on a new course designed to strengthen their long-term health and vitality by improving productivity and reducing costs.

Recent management initiatives have driven aviation depot maintenance costs down. Revised maintenance strategies and rework procedures have resulted in a 16 percent decrease in the number of aircraft and engines requiring rework. Due to funding constraints, aircraft which fail pretest inspections may be grounded as they await depot-level maintenance.

Sixteen support and utility aircraft were overdue for maintenance in fiscal year 1988. We expect the same number in 1989. In fiscal year 1990, the number may increase to be as high as 40 aircraft.

This backlog does not necessarily place the depot program in extremis, since the aviation depot workload is scheduled on a production flow basis and a certain amount of backlog is acceptable; in fact it is encouraged so that we can keep a steady flow down that line. We will continue to manage these backlogs to minimize as best possible their impact on fleet readiness.

I too would like to throw in my support for the asset capitalization program. We do think it is the key. Even though there were some earlier problems, I believe the GAO report is probably shooting behind the rabbit, because we all learned that when funding materialized, we were not prepared to handle it correctly. We now know what we want and have plans within the establishment, and have established a corporate structure which will manage those funds wisely in the future. This fiscal year 1990 and 1991 program, which is below the 1989 level, includes no increase for inflation and has been kept to the minimum necessary to satisfy urgent needs. We encourage your support.

I too would like to address military construction. It does play a part in the readiness and sustainability of our fleet, and again the 1990–91 budget maintains only the essential elements of that program.

Continuing aging of our shore establishment is beginning to show dramatically, and we have had to move funds within accounts to make sure that we do maintenance and repair, rather than new Milcon. Again, that is a hard tradeoff to make, but we have had to do it.

Family housing is one of those issues that we are very high on and continue to allocate as much money as we can to make sure that our folks are taken care of.

As I have tried to indicate, this budget is certainly not without some risk in the readiness and sustainability areas. Our gains in the mid-eighties have now flattened. We hope to hold them close to where they are with, of course, a little trail-off; what we hope to ensure is that there is not a major trail-off.

We continue to watch the various readiness and sustainability issues; we have a strong logistics conscience in the Navy; and we will continue to track these issues very closely. We appreciate your support in the past and continue to look for that support in the future.

Thank you, Senator.

[The prepared statement of Admiral Arthur follows:]

STATEMENT OF

VICE ADMIRAL STANLEY R. ARTHUR, U.S. NAVY

DEPUTY CHIEF OF NAVAL OPERATIONS (LOGISTICS)

Mr. Chairman and distinguished members of the committee, I appreciate the opportunity to appear before you to report on the readiness and sustainability of our Navy today and specifically to address the points covered in your 20 April letter to me. Our Navy is strong and we remain ready to fight. But our ability to continue to sustain our necessarily high level of combat readiness and to conduct sustained operations at sea depends on fiscal stability that protects our investments gained in the past years.

Our Navy has never been more ready to support U. S. national policy throughout the world. Our forwarded deployed naval forces have provided a strong deterrent and made significant contributions to successful execution of U. S. security policy in the Persian Gulf as well as every ocean in the world. Our Navy remains available on short notice and is capable of sustaining operations at sea during times of conflict. We provide the National Command Authority our most survivable military deterrent and flexible warfighting force. We retain that strength through having the right ships and the right aircraft to be able to fight and win when called upon to do so. We can move personnel and equipment where and when necessary. But most importantly, our strength is based on our Navy men and women who are unmatched in their enthusiasm, total dedication, and consistently outstanding performance.

National commitments have driven the requirement for today's relatively high state of readiness. Adequate numbers of trained personnel, forward deployed in the proper types and numbers of ships and aircraft, are requisite. To operate as a combat ready unit, our deployed forces require ordnance, spares, fuel, basing facilities and maintenance support. These logistics issues will be addressed later, but I first wish to explain the Navy's FY-90/91 program and show you some indicators of the Navy's preparedness to go to war today and of our means to sustain combat operations, if required.

In this report, we are concentrating on two of the four pillars -- readiness and sustainability -- which account for about 60% of the Navy total obligation authority. The other pillars are force structure and modernization. Readiness is the ability of elements of the Navy to deliver outputs for which they were designed -- and is achieved through operation and support funding for people, spares, base operations, training, fuel, and maintenance. Sustainability is the "staying power" of the Navy during combat operations, often measured in number of days supply ... includes funding for Naval Reserve and war reserve stocks of ordnance and spare parts. The Navy FY-90/91 program is a careful balance of the four pillars -- allocating resources to ensure that we have the correct number of aircraft and ships, that they remain capable through modernization, that they are always ready, and that they can sustain operations at sea in case of conflict. Based on the budget submitted, we will remain ready and will have the staying power.

We require our unit commanders to provide a status report which involves an objective and subjective assessment of a unit's ability to perform its primary naval wartime assigned missions. The report measures the status of organic resources under the operational control of that unit. Specifically, those resources are personnel, equipment, supply support and training. It does not address all elements which impact readiness, such as depot maintenance capability and the status of fleet support activities. It does provide the National Command Authority and the remainder of the chain of command with a time sensitive estimate of that unit's readiness to perform wartime functions for which they were designed and organized. Figure 1 shows the trend in reported readiness. The overall readiness of our ships and aircraft has improved by 100% and 250% respectively since 1981.

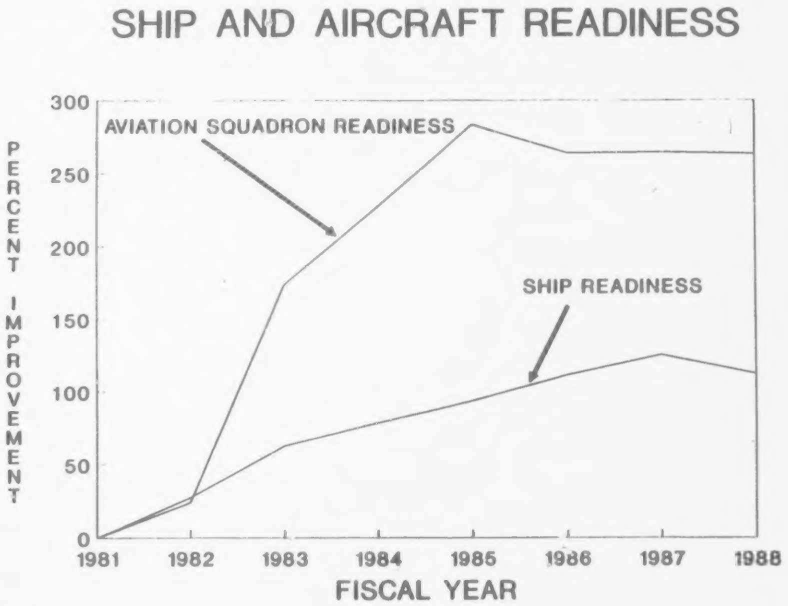


FIGURE 1

Navy also uses other measures of readiness that are indicators of the material condition of our aircraft and ships. Aircraft material readiness is measured by Mission Capable (MC) and Full Mission Capable (FMC) rates based on actual maintenance data. These rates, which provide a detailed history of aircraft condition and material readiness over time, measure the percentage of time an aircraft is able to perform all of its missions (FMC) or at least one or more of its missions (MC). Figure 2 show that full mission capability has improved by 66% and mission capability by 23% since 1981. These readiness indicators are responsive to changes in resource levels, albeit with a year or two delay, and accurately reflect trends. The FY-86/87 funding decline shown in Figure 2 reflects a requirements reduction driven by improved depot maintenance efficiency and better prices achieved by the Buy Our Spares Smart (BOSS) program. Recognizing the beneficial impact of these initiatives, there is still a strong correlation between the levels of resources applied and the material readiness that results; consequently, we project that the additional funding decreases experienced in FY-88/89 will drive a slight aviation readiness decline in the outyears.

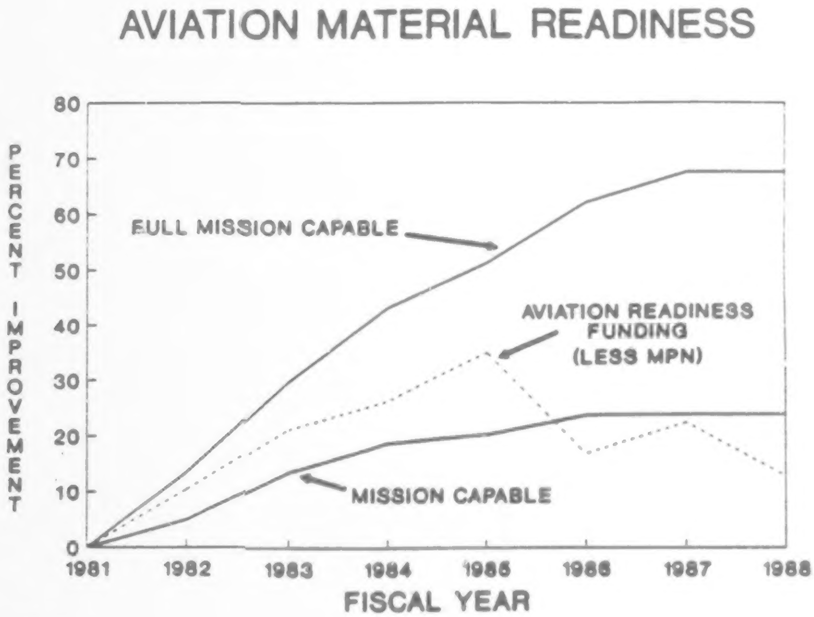


FIGURE 2

Ship material readiness is measured in terms of the amount of operating time a ship is free of mission degrading equipment casualties. These casuaities are reported by all ships on an as-occuring basis. Figure 3 shows that the trend of "time-free of mission degrading equipment casualties" for surface ships has improved about 64% since 1981. As with aviation, the FY-86/87 funding decline reflects a requirements reduction driven by many maintenance and support efficiencies including readiness based sparing, shorter and less frequent depot availabilities, BOSS, and improved depot efficiency. However, because of the additional funding decreases in FY-88/89 we predict ship material readiness will decline slightly in the next few years.

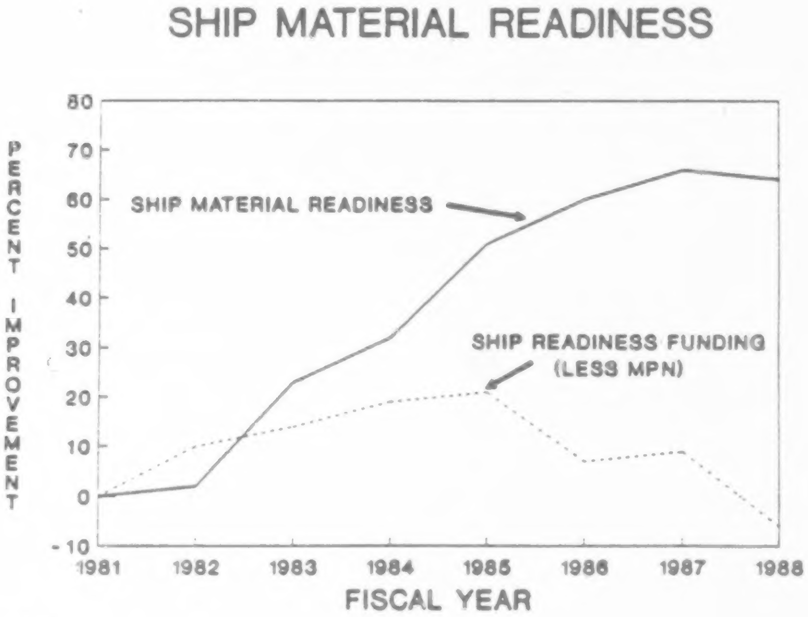


FIGURE 3

Investment in our manpower accounts over the last eight years has also paid major dividends in overall personnel readiness improvement of our ships and aircraft squadrons. As shown in Figure 4, ship personnel readiness has improved 90% over the FY-81 level, and aviation squadron personnel readiness has improved 128% during the same period. This can be attributed to improvements in sea pay, selected reenlistment bonuses, and sea-shore rotations, and in turn petty officer retention rates.

Many factors affect these readiness measures. As the quality and quantity of our manpower and the funding for readiness items such as spares and maintenance increased during the early and mid 1980s, readiness improved. Although our efforts to define the relationship

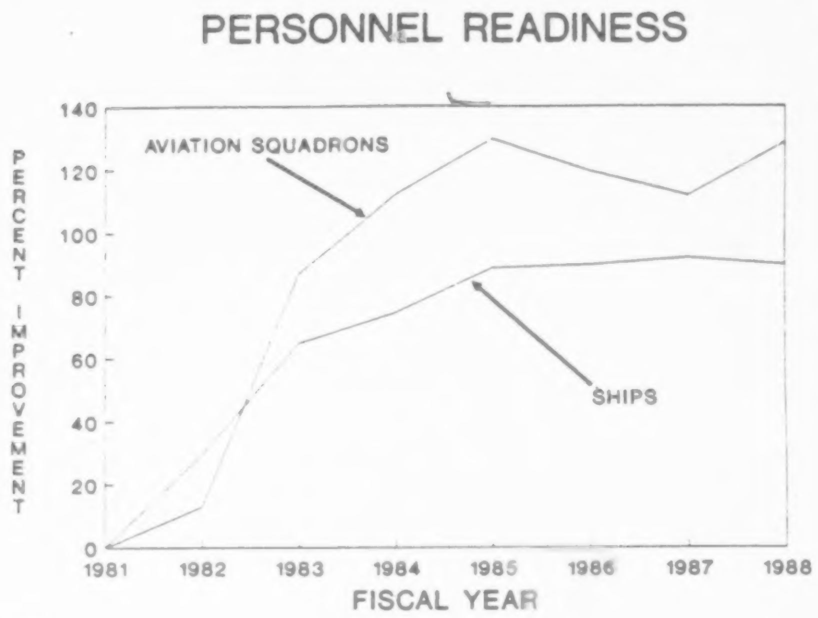


FIGURE 4

between specific resource elements and overall ship and aircraft readiness are continuing, we know that a balance of many resources -- manpower, spares, maintenance, facilitites, etc. -- is required to maintain and improve readiness. The readiness level we are achieving today is at or above Navy goals, but as several of the preceeding figures show, most readiness indicators have leveled off and will decline slightly over the next few years.

Let me now turn to a more detailed discussion of the specific logistics topics mentioned in your 20 April letter.

SUPPLY OPERATIONS

Our Naval Supply System is made up of eight Supply Centers and two Inventory Control Points, and all continue to provide outstanding logistics support. Our receipt and issue processing times are at CNO standards and our inventory accuracy rates, as measured by gross monetary adjustment rate, have improved from 14% to 3% since 1981. We are committed to continue our aggressive actions in fleet support quality, accuracy, and productivity. Examples of this are:

- o the Automation of Procurement and Accounting Data Entry Program (APADE),
- o Inventory Control Point Hardware and Software Resystemization,
- o the Stock Point Logistics Integrated Storage Tracking and Retrieval System (NISTARS),
- o and the Stock Point ADP Replacement (SPAR) project.

Funds for these computer acquisition programs must be protected to enable us to take advantage of state of the art technology. This modernization puts our supply system into the 21st century.

However, no matter how much we modernize, the supply operations mission success still depends on a minimum level of people. Over the past three years, our productivity initiatives, including Productive Unit Resourcing, have resulted in savings of 3400 people or 20%. However, we are stretched to the maximum extent. Our FY-90/91 budget guarantees minimum labor levels, but we need Congressional support to maintain these levels.

SPARE PARTS

During FY-88, the availability of spare parts reached unprecedented highs. Navy goals, which were previously thought to be unattainable, were met or exceeded in several areas. Ship and aviation spare parts availability increased 33% and 30% respectively as shown in figure 5. One of the major factors contributing to this improvement, and in turn to Navy's current high readiness rates, was the stock funding of ship and aviation repairables.

MATERIAL AVAILABILITY

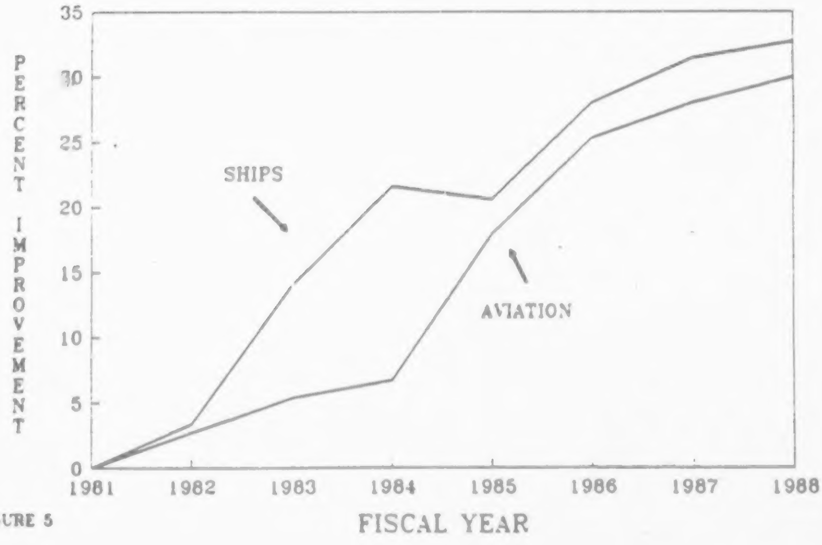


FIGURE 5

Capitalizing on the revolving nature of the stock fund, this initiative, which completed its test phase this fiscal year, provides Navy with invaluable flexibility. Moreover, the Department of the Navy Stock Fund continues to be a well-managed and solvent account. Spare parts inventories, procured with the Stock Fund, have grown primarily as the result of the weapons system modernization of the 1980's, price escalation, and DOD/Navy decisions to retain rather than dispose of older weapons system stock.

As I told you in last year's testimony, the FY-89 spares program was at the absolute minimum level to maintain existing readiness. The FY-90/91 spares program is designed to do the same -- maintain current levels of readiness. However, this is a bare bones budget and there is no margin for error.

CONVENTIONAL ORDNANCE

As with spare parts, our conventional ordnance program contributes to both pillars. It contributes to readiness in the form of expenditures for peacetime training and to sustainability in the form of war reserve stocks.

Figure 6 shows our FY-90/91 procurement plan for level-of-effort

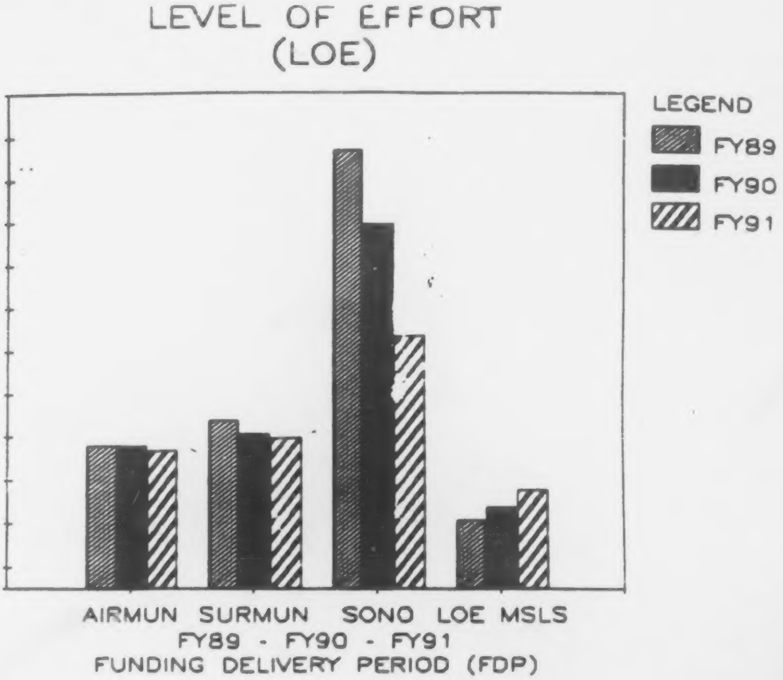


FIGURE 6

ammunition. Except for sonobuoys, sustainability will be essentially maintained at current levels. Between now and FY-94 only one new level-of-effort item, the advanced bomb family, is scheduled for introduction.

Figure 7 shows the status of preferred threat munitions-- missiles, torpedoes and mines -- attained with the FY-90/91 procurement. As you can see, our overall posture is generally maintained. Several new and improved threat weapons will also be introduced between now and 1994. These include the Rolling Airframe Missile (RAM), Advanced Medium Range Air-to-Air Missile (AMRAAM), and the MK-50 torpedo. These new weapons will provide improved lethality and increase sustainability.

We have achieved a significant improvement in ordnance levels. The value of stocks on hand and on order is four to five times greater today than in 1981. Our ordnance sustainability levels are still not as high as we'd like however, but we continue to make progress.

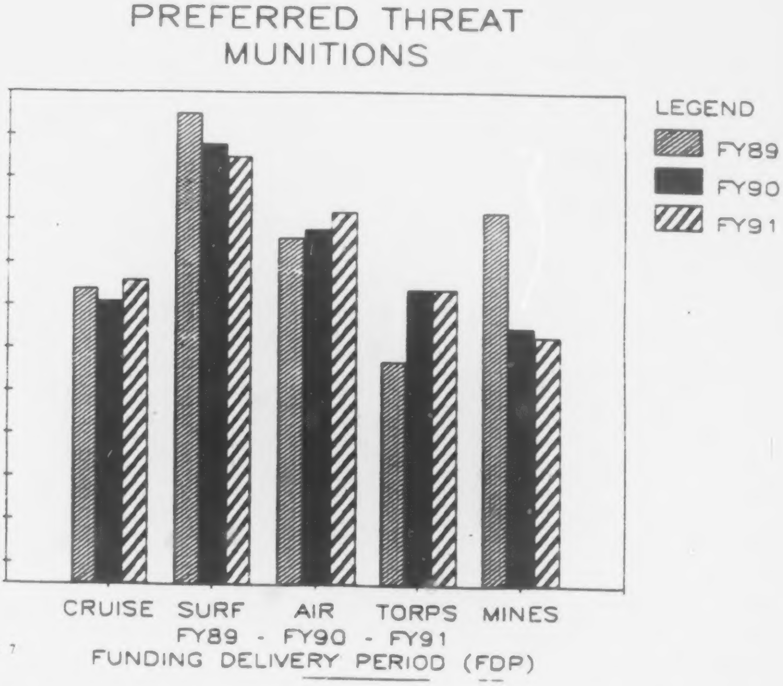
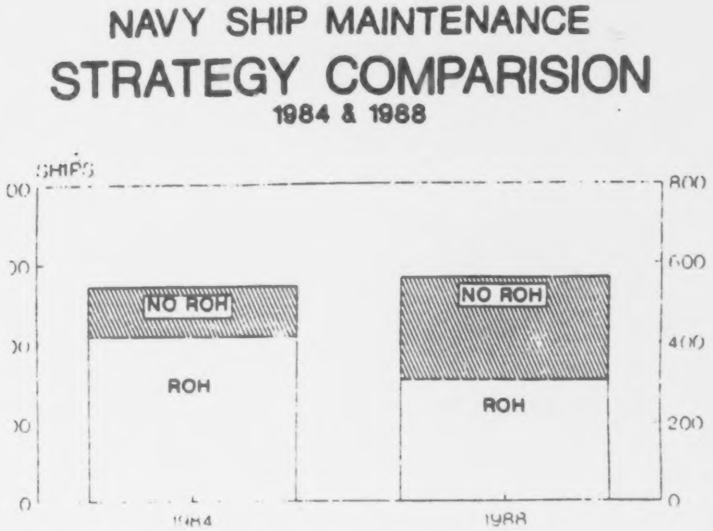


FIGURE 7

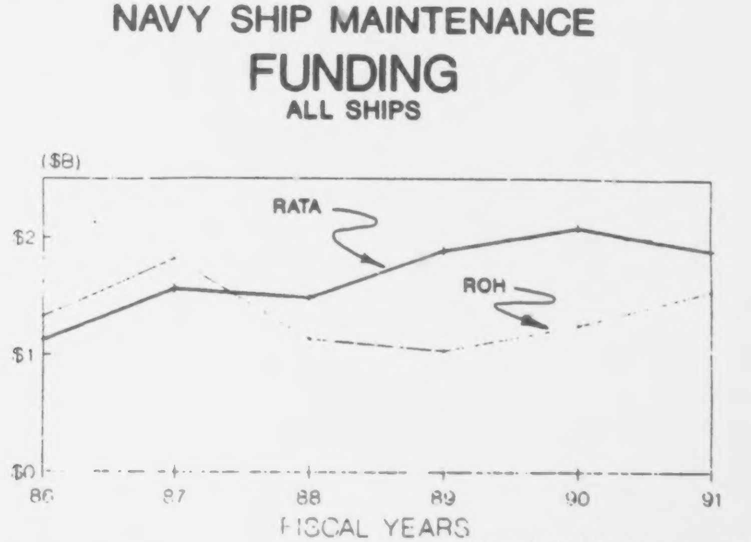
SHIP DEPOT MAINTENANCE

Ship depot maintenance in the 1970's was accomplished almost entirely during overhauls. In the late 1970's and early 1980's, ship maintenance strategies began to change by using shorter, more frequent restricted availabilities as a substitute for some or all of a ship's overhaul availabilities. Figure 8 displays the shift in maintenance strategies in Navy ships. By 1988 almost one half of our ships will use restricted availabilities and never undergo an overhaul. In figure 8A, Navy-wide ship restricted availability funding exceeded regular overhaul funding for the first time. This trend will continue in the future.


NAVY SHIP MAINTENANCE
STRATEGY COMPARISION
1984 & 1988

NOTE 4700 10/88
OVERHAUL & RESTRICTED AVAILABILITY
H - RESTRICTED AVAILABILITY ONLY

FIGURE 8


NAVY SHIP MAINTENANCE
FUNDING
ALL SHIPS

OP80, 10/88, CONSTANT FY90 $

RATA RESTRICTED/TECHNICAL AVAILABILITY
ROH - OVERHAUL

FIGURE 8A

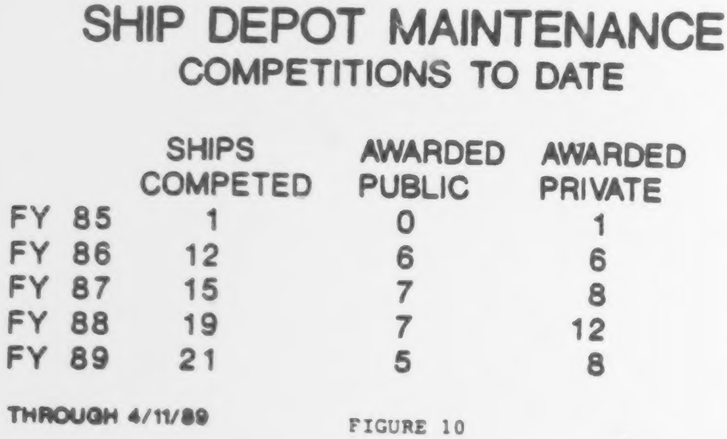
The FY-90 maintenance and modernization program shows 15 active overhauls and 151 restricted/technical availabilities. Figure 9 provides an overview of the ship maintenance and modernization program. The 10 percent increase in FY-90 funding above FY-89 is due to more expensive availabilities of nuclear fueled ships. The backlog of ship overhauls deferred for lack of funds is considered to be within the bounds of acceptable risk.

DEPARTMENT OF THE NAVY
SHIP MAINTENANCE AND MODERNIZATION
(IN MILLIONS OF DOLLARS)

	FY 1988	FY 1989	FY 1990	FY 1991
SHIP DEPOT LEVEL REPAIR	2,617	2,923	3,332	3,440
MODERNIZATION	959	1,101	1,034	1,047
OTHER	934	641	794	806
TOTAL: SHIP MAINTENANCE AND MODERNIZATION	4,510	4,665	5,160	5,293
NO. OF SHIP OVERHAULS (UNITS)	22	25	15	12
SHIP OVERHAUL BACKLOG (UNITS)	4	3	4	5
NO. OF RESTRICTED/TECHNICAL AVAILABILITIES (UNITS)	151	159	151	121

FIGURE 9

In recent years both the Armed Services and Appropriations Committees have directed the Navy to set a goal of no more than 70 percent funding in public and no less than 30 percent funding in private shipyards for the repair and overhaul of Navy ships. The private sector share was 32 percent in FY-88. Figure 10 displays the recent history of the number of public/private competitions completed and planned through FY-89.



SHIP DEPOT MAINTENANCE
COMPETITIONS TO DATE

	SHIPS COMPETED	AWARDED PUBLIC	AWARDED PRIVATE
FY 85	1	0	1
FY 86	12	6	6
FY 87	15	7	8
FY 88	19	7	12
FY 89	21	5	8

THROUGH 4/11/89

FIGURE 10

Last year Congress directed the Navy to increase its maintenance and modernization program by $240 million. The spirit and intent of the language have been met with four cruiser New Threat Upgrade overhauls in public/private competition on the West Coast, including one bought with the additional funding. We also used it to fund several additional availabilities in the Atlantic Fleet, added $85.5 million in modernization, and funded about $10 million in emergent repairs.

AIRCRAFT DEPOT MAINTENANCE

On the aircraft depot maintenance side, the naval aviation depots have embarked on a new course designed to strenghten their long-term health and vitality by improving productivity and reducing costs. Recent management initatives have driven aviation depot maintenance costs down. Revised maintenance strategies and rework procedures have resulted in a 16% decrease in the number of aircraft and engines requiring rework. The adoption of total quality management as the depots' overriding philosophy has greatly improved the quality of their products and services and has enhanced responsiveness to the customers' needs.

The depot maintenance cost reduction goals established for our industrial fund activities for FY-87 and FY-88 of $136M and $200M respectively were met. In FY-89 through February 1989, we are on track to achieve our planned target of $210M. These planned savings were incorporated in our budget submission and are reflected in reduced cost to the fleet.

A major thrust of the corporate business plan for aviation as well as for ships is public-private competition initiatives. The first two aircraft competitions were won by the naval aviation depots. The F-14 standard depot level maintenance competition reduced costs by approximately 20% and the P-3 Orion Update III competition resulted in a 28% reduction. Future competitions include the SH-2F valued at $3.4M in FY 90 and the A-6E rewing valued at $75.2M in FY-90.

Due to existing funding constraints, aircraft which fail pre-test inspections may be grounded as they await depot level maintenance. Sixteen support and utility aircraft were overdue for maintenance in FY-88. We expect a similar number in FY-89. In FY-90, the number may increase to as high as 40 aircraft. The existence of a backlog does not necessarily place the depot program in extremis. Since aviation depot workload is scheduled on a production flow basis, a certain amount of backlog is acceptable. We will manage these backlogs to minimize the impact on fleet readiness.

ASSET CAPITALIZATION PROGRAM

While I'm talking about our depot maintenance programs, I'm aware of your concern about the Asset Capitalization Progam (ACP) at the depots.

The Asset Capitalization Program has been crucial to the revitalization of the Navy's industrial base. ACP is the only means for Navy Industrial Fund activities to acquire the capital items that they need to replace outmoded equipment and facilities, enhance productivity and capability, and incorporate cost-saving or cost-avoiding technology into their operations. Since the program was established in 1983, Navy industrially funded activities have made the investments via the ACP necessary to modernize their plant, address new work processes, and improve their overall efficiency.

The GAO recently completed a tri-service audit of the ACP. This report is a follow-on to the work that GAO completed last year at the Navy's Naval Aviation Depots. By and large, both of the reports dealt with the results of the program during its peak funding years. With some minor exceptions, the Navy concurs with GAO's recommendations and has already made major progress toward implementing the improved procedures. In recognition of the difficulty in fully implementing the process across the entire industrial fund, the Navy reduced the FY 90/91 program to approximately half of the FY-87 level. The FY 90/91 program, which is at or below the FY-89 level and includes no increase for inflation, has been kept to the minimum necessary to satisfy urgent needs. This lower level does not satisfy our needs but is required to allow our managers time to implement the requisite management changes.

MILITARY CONSTRUCTION

Our Amended Budget for Military Construction of $1.1 billion for FY-90 and $1.2 billion for FY-91 are each smaller than the FY-89 submission of $1.6 billion. These reductions are the result of difficult budget decisions and do not reflect a decline in our need for military construction. The intense competition brought about by the budget reductions has resulted in a program that includes only the essential requirements necessary to support our required readiness posture, effectively use and protect our existing assets, and adequately provide for the quality-of-life of our people.

With the majority of our Strategic Homeporting Program funded through 1989, our request is substantially reduced from the $207 million requested in FY-89. In FY-90, we are requesting only $77 million, including $30.9 million for Naval Station Staten Island, New York; $25.8 million for the Gulf Coast; and $20.3 million for Naval Station Everett, Washington.

Execution of the Strategic Homeporting Program is proceeding well. The FY-90 request for Staten Island will provide the facilities necessary to activate the new homeport on schedule. On the Gulf Coast, the FY-90 request will provide the final increment for Mobile and Pensacola. An additional $8.2 million that was authorized but not appropriated in FY-89 is required at Pascagoula and additional funding will be required at Ingleside as a result of the Base Closure Commission's recommendations to close Lake Charles and Galveston. At Everett we have developed a workable approach with the environmental groups, which have previously opposed our dredge disposal plans, and we are new proceeding with a plan that does not increase overall construction cost and supports activation of the carrier pier in 1992.

REAL PROPERTY MAINTENANCE

The Navy's shore establishment has an average age of over 40 years, and its age is showing. It has deteriorated to the point where it could adversely affect our ability to provide the critical support required by a more sophisticated fleet. To put current funding levels in perspective, Navy, as a percentage of plant value, spends only 75% of what major colleges and universities are spending and 35% of the level spent by major private corporations.

We will use the Shore Facilities Life Extension Program to prioritize our effort for repair or replacement of shore facilities with the greatest impact on readiness. Nevertheless, our Backlog of Maintenance and Repair will continue to grow to over $2.1 billion in FY-91 compared to a FY-88 level of $1.3 billion (Figure 11). Intensive management efforts will be needed to avoid a significant impact in fleet support and the resultant inability of our ships and aircraft to accomplish their mission.

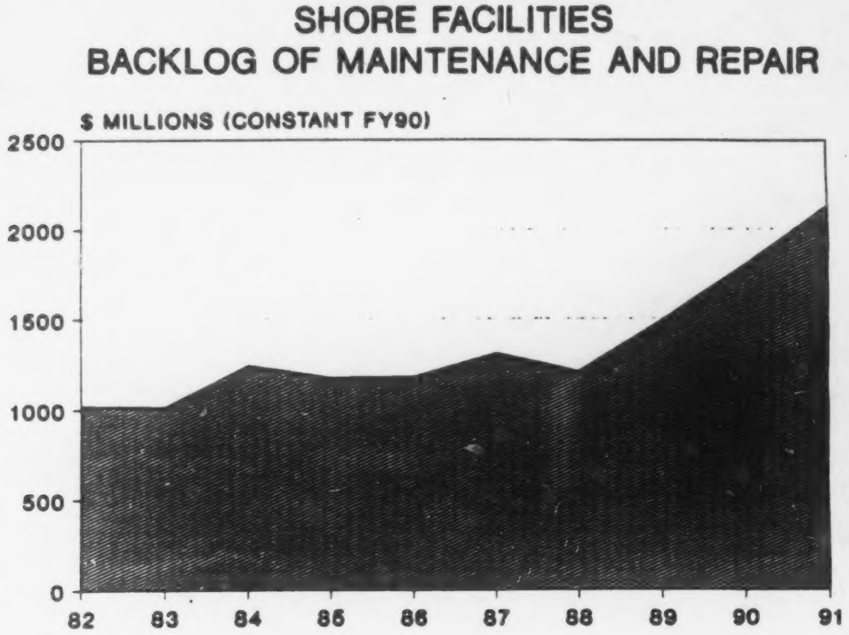


FIGURE 11

FAMILY HOUSING

Family housing continues to be a very important component of both retention and readiness. Families are already under intense pressure as a result of mission commitments which cause family separation during times of deployment. Extending this separation due to unavailability of affordable or suitable family housing may drive the highly skilled, qualified sailor out of the Navy.

The Navy has a large inventory of aging, deteriorating family housing units. The average age of our units is approaching 30 years. In recent years, as we concentrated on building new housing, our backlog of deferred maintenance on existing housing grew at an accelerated rate. Our current backlog is approximately $10,000 per active family housing unit. As a result, we have had to make some difficult decisions on priorities while, at the same time, insulating the family housing program from the cutbacks that are affecting the rest of the budget.

In our FY-90/91 request for family housing, we have emphasized maintenance and repair to address the backlog issue. Approval of this request will allow us to put a halt to the backlog growth. In FY-90 we are forced to redirect resources from new construction to maintenance as a result of this emphasis. However, in FY-91 our new construction program is back to FY-88/89 levels, which were the first two years of the Navy's multi-year acquisition plan.

We are also pursuing other acquisition strategies. In New York, we are preparing to award a Section 801 (build to lease) project for 1,200 units in support of the decision to homeport ships at Staten Island. The Department of Defense is proposing legislation to extend Section 801 authority. If approved, the Navy would have authority to acquire an additional 2,000 units. In addition, we strongly support the initiative to resurrect the Capehart program or some similar installment purchase arrangement. We view this as an opportunity not only to revitalize existing housing but also to acquire badly needed new housing. We need to keep all our acquisition options open in light of budget constraints in FY-90 and in the foreseeable future.

SUMMARY

Our Navy maintains its ability to fully support national security commitments. We understand the requirement for a balanced budget and the current fiscal realities, but the reality is that the threat -- the Soviet Union, third world interests, and terrorists -- remains ever present. A strong defense is necessary and affordable by any reasonable standard of economic measurement. We have been the Service of choice, called upon to serve this nation's vital interests quickly and effectively, such as operations off Lebanon in 1981, Central America in 1983, Grenada in 1984, Libya in 1986, and the Persian Gulf in 1987.

As I have shown, this budget is not without some risk in the readiness and sustainability areas. Our early to mid-1980's readiness and sustainability improvements have for the most part leveled off, and we are aggressively seeking to maintain current levels, even with the declining budgets. I believe the FY-90/91 budget will allow us to do this. We have a strong logistics conscience in the Navy and will monitor readiness and sustainability closely. This I can guarantee you.

Senator DIXON. Thank you, Admiral Arthur.

The distinguished senior Senator from South Carolina, a very fine member of this subcommittee and of the full committee, always attends our hearings. Are you obligated to be anywhere else, Senator? I would be glad to recognize you first if you care to.

ARMY—LIVING ON THE MARGIN

Senator THURMOND. Thank you. Thank you very much.

General Wagner, your prepared statement reflects a rather pessimistic view of the status of your programs. Your statement contains phrases such as "we are living on the margin" and "there are indicators of the hollow Army days."

Is this perception shared by the Army leadership, and do you believe that the Army's situation is more critical than the other services?

General WAGNER. To the best of my knowledge, it is shared by the Army leadership. They are familiar with the statement that I presented today and concurred in it.

My principal worry is, as I pointed out in a short resume of my total statement before you had the opportunity to come in, is that we are living off of the material today that we would need if we went to war. We are not buying any war reserves.

When we do buy them, we have to live off of those. We are underfunded in our depot area considerably. We are underfunded in our supply area. Today you do not see that in large decreases in readiness, but we believe over time you will, because we are seeing more and more of the equipment as it comes into our depots, for example, that is in much worse shape than any equipment in the past that came in for total rebuild was.

So we feel that if we do not fund this properly, we are not going to be able to maintain our readiness over the long haul.

AIR FORCE—WASTE OF FUNDS

Senator THURMOND. General Hansen, in a prepared statement for Wednesday's hearing before the Armed Services Committee, the GAO reported that in 1987 the services had almost $29 billion in unrequired stocks. I have no concept of what percent of this number belongs to the Air Force. However, I assume that you had a share of these excess parts.

What has the Air Force Logistics Command done to reduce this apparent waste of funds?

General HANSEN. Well, first of all, Senator, I am familiar with that report and the inference that those parts are not required. It is a very complicated procedure that we go through to determine parts that are excess. Now, if you will recall, back in 1985 and 1986, the military services were severely criticized about putting usable items out into salvage, items that we had declared as excess.

During that time, the Air Force made a decision that they would not declare any parts excess as long as there was a valid requirement for that part somewhere in the future. The definition of excess or long supply, as we refer to it, is anything that has not had a requisition drawn on it in 2 years.

Now, that is not to say that that part is not going to be needed some time in the future. And my warehouses are right now bursting at the seams with long supply. This is mainly because of some force structure changes as the budget has decreased and our force structure has been drawn down much faster than we had planned for, we are on the end of the whip, so as to say.

But those parts that we have in long supply are not items that are worthless. They are items that are in excess, maybe because of force structure drawdown or for some unforeseen requirements.

I think we should hold onto those parts as long as there is a vital need for the part some time in the future, whether it is FMS sales or whatever. We should hold onto them. So I take exception to the definition of worthless parts. They are truly excess to our needs at this particular time, but not in the future.

NAVY—PUBLIC-PRIVATE COMPETITION

Senator **THURMOND**. Admiral Arthur, in your statement you make a point to emphasize a public-private competition in ship overhaul and repair. The Navy is doing well in this effort and I hope you will continue it.

What is your experience with this program in terms of quality of work and timeliness when you compare the public and private shipyards?

Admiral **ARTHUR**. Senator Thurmond, we are very pleased with the quality of the product from both the public and the private shipyards. We think that the present competition is healthy. We continue to pursue it aggressively. As recently as last week, we had competition. A public yard, Long Beach, won one competition and the private sector won three. So it continues to be a very productive way of doing business and we received quality products from both establishments.

AVIATION DEPOT WORKLOAD

Senator **THURMOND**. Admiral Arthur, you indicated that you are not concerned about the aviation depot workload and that it is manageable. I do not want to dwell on the depot maintenance backlog. However, as the Navy's aircraft fleet ages and we do not replace them at the rate we have in the past, is not your problem going to get worse?

Admiral **ARTHUR**. Yes, sir. A little backlog is healthy for aviation depots. As I mentioned earlier, these establish a production line and each one of the depots tailors its efforts towards a particular series of aircraft.

As long as they keep the production line moving, a few aircraft in reserve is an efficient operation. This enables immediate induction without closing lines if the process accelerates.

However, if we continue to let the age of our force grow, and no new aircraft come into the system, then we start eating into our pipeline, and the pipeline grows. Then we start losing aircraft on the flight line, and that is of concern. We continue to watch that closely.

We do have that problem in our A-6 community, where there are more aircraft waiting for wings than we would like. So in this case, it is impacting the number of airplanes we can put on the flight line.

SHORTFALLS IN OPERATION AND MAINTENANCE

Senator THURMOND. General Wagner, in your statement you say that shortfalls in the operations and maintenance account will result in a totally unfunded ammunition care and preservation maintenance program through fiscal year 1995. You further indicate that a modest program of $6 million per year is required to maintain the program.

First, would you tell us what the program entails? And second, who made the decision not to fund the program?

General WAGNER. Yes, sir. The program that I am referring to there is not major overhaul of the ammunition, which is funded at about the 95 percent level and entails such things as total rebuild of ammunition, but it is minor maintenance.

This means the painting of it, the keeping track of the numbers on it so that you do not get lot numbers mixed and minor maintenance in the packing and so forth. That is the portion that is essentially unfunded, and we could use about $6 million a year to do it.

That decision was made in putting our program together by the individuals in the Army staff who had to make cuts someplace, and they said we would put that off and try to repair it if we got more money in the future.

READINESS AND SUSTAINABILITY

Senator THURMOND. Here is a question I would like to ask each one of you. We will start with General Wagner. At Wednesday's full committee hearing, the General Accounting Office reported that historically DOD looked to the readiness and sustainability funding accounts for a disproportionate share of reductions.

In prior testimony, the service chiefs stated that readiness has the top priority in this year's budget. Now, based on what the GAO said and the service chiefs said, I am just wondering how you interpret their apparent differences on this question and whether sustainability is jeopardized.

General WAGNER. Sir, I do not disagree with the service Chiefs when they said that readiness was put in a very high position. However, with the level of cuts that were necessary in the Army, everything suffered, including readiness.

Again, in my earlier testimony, I indicated that we are doing the best we can to keep readiness up today, and it is above what our goal is. However, we are not funding properly those long-term items, such as depot maintenance and sustainability that are required if we go to war.

As a result, I think we are going to have a long-term downtrend in readiness. But I cannot disagree with the Chiefs that this year we did the best we could by immediate readiness. But, if I look 5 years out, that is when I begin to worry.

Senator THURMOND. General Hansen, I would like to hear your response.

General HANSEN. Well, Secretary Cheney in his five priorities identified readiness as being the top one of those five, and the Chief of the U.S. Air Force also has supported readiness.

And of course, as I pointed out in my charts that I presented before you came in, it shows that readiness, which is our ability to go to war, is high and it has remained high although we have seen some degradation.

But sustainability, our ability to sustain ourselves during war, has suffered over the last 3 or 4 years especially in the area of spare parts and in the depot maintenance areas.

However, when you consider the magnitude of the cuts and the fact that congressional cuts have been rather heavy in the sustainability account over the last few years, it is tough to get back in balance. And because, as I showed in my chart on the Air Force, in the sustainability account, Congress in 2 years had taken out almost $700 billion of sustainability. This is a pretty tough cut for us to recover from.

So there is going to be a decrease in our ability to sustain ourselves in war as a result of the cuts that we saw in 1988 and 1989. But readiness-wise, our ability to go to war is very, very good. But we will have difficulty sustaining ourselves.

Senator THURMOND. Admiral, I would be pleased to hear your response.

Admiral ARTHUR. Senator, in fiscal year 1988, 60 percent of the Navy's TOA was dedicated to readiness and sustainability. In the amended submit before you now, readiness and sustainability are 65.9 percent in fiscal year 1990 and 65.4 percent in fiscal year 1991.

So, for the Navy, readiness and sustainability have an increased share of our top line. Of course, the top line has come down; but as it has, we have protected those accounts, and they are now consuming a greater share of our top line.

Senator THURMOND. Thank you very much.

LOGISTICS AND SUSTAINABILITY

Mr. Chairman, historically logistics and sustainability have taken a back seat in budget priorities, and in my judgment, they should have the same priority as weapons systems or research and development. And this committee I think must ensure that the logistics base remains strong and viable, despite the lean budget years we are facing.

I think we must remember that we can reconstitute fighting forces faster than we can the facilities and people needed to provide the logistics support.

I ask unanimous consent that my opening statement follow your opening statement in the record.

Senator DIXON. Thank you very much, Senator, and I thank you for the fine questions.

I am going to throw a great big softball up to you guys, because something is coming through real loud and clear to me here. General Wagner says remove floors this year and keep balance in our programs. General Hansen says Congress has taken away my authority to transfer money between accounts. Admiral Arthur did not beef about it. I do not know whether it does not affect him or whether he is not as angry about it.

FURLOUGH/BACKLOGS

And I will tell you the truth. As you were all saying this, I thought, wait a minute, I am getting this, but I cannot remember why we have this problem. So I could not for the life of me remember that, and I finally asked one of my aides, who suggested that it all came up on that furlough question last year, where all the civilians were going to be laid off for some furlough period of 10 days or something like that, and that it was a legislative response in the Appropriations Committee, not here in the authorizing committee.

That is the limited information I have, but I want to give you both a chance to enlighten this Senator and perhaps his colleagues, if he will be here a moment. Let us revisit that a little bit to get it through to me.

Does it affect Admiral Arthur also or just you two gentlemen?

Admiral ARTHUR. No, sir, it does affect us, too.

Senator DIXON. It affects you, too. Then let me hear that again.

General HANSEN. Well, it was not as much related to the furlough issue as it is to the backlogs that we have in our depots.

Senator DIXON. I remember a furlough issue last year. There was a lot of gnashing of teeth about the furlough question. That was a big one.

General HANSEN. We did have the furlough problem. That was in the civilian pay account. The civilian pay account is not fenced though. There is no floor in my civilian pay account.

The floor that I have is in my depot maintenance account.

DEPOT MAINTENANCE ACCOUNT

Senator DIXON. The floor that you have is in your depot maintenance account. Now, explain to me what you mean by that, the floor that you have?

General HANSEN. Well, Congress has authorized a certain amount of money within my overall account for depot maintenance.

Senator DIXON. For depot maintenance.

General HANSEN. Always before I had the authority to move money within that total account, that big pie chart that I showed you. Congress, though, in the Appropriations Committee has restricted the depot maintenance account at the level that it was appropriated at.

So if there is $3 billion in that depot maintenance account within a total program of $5 to $6 billion, I cannot move any money out of that depot account.

Senator DIXON. Into any other account?

General HANSEN. Into any other account.

Senator DIXON. Could you always before?

General HANSEN. Yes, I could.

Senator DIXON. Now, you are telling this Senator that last year we said to you—and that is now the law, I take it? It was not just a directive last year. I presume that that was part of the law that we passed. You are saying you are now impacted in this regard, that whatever we do in depot maintenance, whatever number we give you in depot maintenance, are you saying to me you have to spend that number in depot maintenance?

General HANSEN. Well, I may not be able to spend it.

Senator DIXON. But if you do not spend all the money in depot maintenance, you are saying to this Senator, you cannot use the surplus you did not spend for some other purpose? Is that what you are saying?

General HANSEN. That is true. The depot maintenance provides me the capability to do work but I have to have the civilian workforce to do that also.

Senator DIXON. Sure.

General HANSEN. And that is part of the overall account. I have to have money to keep my facilities going, as I said earlier, to pay my light bills, to pay roof repairs.

Before we could manage within the total account. Now they have taken a chunk out and said, hands off of this chunk and that puts us out of balance.

Senator DIXON. Okay. Now, let me ask you further, then I want you to help, too, General Wagner and Admiral Arthur. Any of you chime in, because I want to get this clear.

Now, is it only depot maintenance? Is that all?

General HANSEN. It is in my case. General Wagner has had some restrictions at some of his individual depots on people.

Senator DIXON. How would we do that? With what degree of specificity?

General WAGNER. Let me comment first on the depot maintenance account. The problem that I have there is that there are two major accounts that you need to run your depots. You need your depot maintenance account, but you also need your supply account.

In the past we could move dollars between that supply account, which provides the care of the installation, it provides for the base operations costs and it provides for the parts that go on those items of equipment. We could move those dollars back and forth.

That is where we have the fence that has taken away all my latitude. Also in the past, I could take depot maintenance dollars if I wanted to and move it to other maintenance accounts, which meant supporting of the equipment in the field where it was required. I cannot do that any more.

Senator DIXON. Do you have the language with you? Do you have any of your Judge Advocate General personnel or anybody with you that has the language with them that you are referencing here?

General WAGNER. I do not have that, sir, but I will provide it. But it is my understanding that it is for that year.

[The information follows:]

DEPOT MAINTENANCE FLOOR

The House of Representatives' Conference Report 100-1002, September 28, 1988, states that the conferees agree that $1,709,200,000 is the amount that shall constitute the depot maintenance 1414 base for reprogramming.

The depot maintenance program (from an appropriation standpoint) is divided into two parts: Other Depot Maintenance, and Modernization.

The $1.7 billion floor was imposed only on the Other Depot Maintenance portion. The constraint that this places on us is that it hampers us from doing more of the modernization programs as the priorities change and the need arises.

Senator DIXON. Let me see if I can get this straight, we are talking about depot maintenance in the case of General Hansen. What are we talking about in your case, Admiral? I see you nodding.

Admiral ARTHUR. It is depot maintenance, but the impact for the Navy is not as severe as it is for the Army. Our supply side is covered within the stock fund, so we are able to manage, and we do not see the same need to move money as General Wagner. However, we still have that floor on the depot maintenance.

Senator DIXON. Are you saying besides depot maintenance?

General WAGNER. No, I have the other problem, in that in my communications electronics depots I was directed that I could not drop below the manning levels of fiscal year 1985. My problem is I do not have enough workload to put into those three depots to workload them at that level.

Senator DIXON. Let me say to all of you, your folks ought to get to our folks the language that you have concern about. You see, I do not say that a majority here does not want to continue to do that. It seems to me rather odd.

Can you tell this Senator and his colleague who is here, what did they tell you was the purpose when they did that at the time? What did you understand? You know, I know we do a lot of silly things around here, but usually at least we think we have a reason for it.

Why did they tell you they did this?

General WAGNER. There is no question that it was done because they were afraid the people would be put out of work at certain depots and they did not want that to happen. So they put the floor on in three depots by specific type, and essentially on all the other depots by putting the floor on them where I had to spend all the money.

FURLOUGH ISSUE

Senator DIXON. So that at bottom it is that furlough question that caused all this to happen?

General WAGNER. My furlough question, sir, was on the supply side last year. If I would have been given an opportunity, that would have been no problem, because I could have balanced that out on the supply side with the maintenance side, which I have done in the past.

They might say that they were afraid I was going to do that, but we did not even do it last year when we could have.

Senator DIXON. Let me say this to you, I believe I speak for my friend from South Carolina and most Senators when I say that we do not want to make your job any harder than it is. I promise you I will look at this. I will consult with the others who did it in the first place, quite obviously, because I have to work in my shop just like you have to work in your shop.

But we do not want to foul you up any more than necessary. Bad enough with all these cuts. I suppose I see some logic in the fact that you ought to be able to move the money around a little bit when you have less to work with.

Anyway, let us see if we can address that. I will ask staff to talk to your folks and see if we can figure it out. You get your shop people to get the language and give us the bare truth about how it occurred and who were the people who did it and so forth, so I can consult with them.

I will see whether we can find a solution if there is one. I sense your concern, and I am concerned if you are concerned.

General HANSEN. The solution that we offered last year was to allow us some degree of flexibility within that account. We asked for 5 percent. We originally asked for 10 percent which in my case would have been about $300 million.

Ten percent seemed to be too tough so we asked for 5 percent which was $150 million. But some degree of flexibility is needed and in my particular case the floor was to protect the depot backlog.

Senator DIXON. We do not need to belabor it more here. I get the point. You would like some latitude. Not an unreasonable request. You folks know more in the field than we do here on the Hill. And hopefully we can find a resolution of it. I will seek that for you. I get the message. Okay, we hear you.

Senator THURMOND. Mr. Chairman.

Senator DIXON. Yes, Senator.

Senator THURMOND. I would just like to associate myself with your remarks and your position here, and I think we ought to try to give them the flexibility they need, because I think in the end they can run a better service and save money also.

Senator DIXON. Well, I thank the Senator, who is a great and distinguished Senator, and I share his remarks.

Let me just pursue one or two more things. Then we had better get to the other panel, because we have taken a little more time. There are an awful lot of questions I would like to ask here. I ask you to answer those questions in writing for me if you will, because they are important to us in determining what we do in the authorizing process.

ARMY AMMUNITION

General Wagner, let me talk about Army ammunition with you. I am a bug on that. I worry so much about having all the guns and things and nothing to shoot out of them. We are going to have a detailed hearing on ammunition programs next week, but I wanted to ask you a couple of questions about it if you do not mind.

The fiscal year 1990 request is $308 million or 15 percent below the fiscal year 1989 level, and the 1991 request is $439 million, but 22 percent below the 1989 level. I ask you, what are these reductions going to do to your ammunition production base?

General WAGNER. Sir, first of all, they are going to cause substantial reductions in personnel. As we look at our program over the next 5 years, we predict that we will be laying off over 50 percent of the employees in the production base. As you understand, the Army is responsible for the conventional munitions production for the Air Force and for the Navy. We will be closing the Mississippi Army Ammunition Plant, where they have been producing the M-483 improved conventional munitions.

Now, that should not be a surprise. We said last year we were going to do that, because we are going to a more effective ammunition and the plant is built to produce that sole type of ammunition.

On the other hand, if we do not have some slight increases we are probably going to have to close down a metal parts producer in a year or two and also possibly another ammunition plant. We are still working with the Congress and with the Department of Defense to try to prevent that, but that is a definite possibility.

Senator **DIXON**. I wish your people would have a dialogue with my people about how we can solve that in some way, in a measured way. You were saying—I thought I heard the word "slight increases." I like the temper of that. If we could find some way we could find a solution—you know, we have the same problem you have around here. We are going to have bogeys that are going to drive us crazy this year.

I do not know how in the world—and particularly the oil prices—of course, they are moderating a little bit now, but for a while they were going up; last year they were going down. Our currency figures are different than last year.

We have a lot of troubles around here, too. But let us know about that, will you?

General **WAGNER**. Sir, I am very worried in that arena that we will also start getting floors; in particular, by name ammunition plants, as to what level of work force we must maintain. We just cannot run the plants with any degree of efficiency if we do that.

We must have the latitude, and—you could not give us enough money, and I understand that, to prevent reductions in force. But we should do it smart and we need to be allowed to work with you to do that.

Senator **DIXON**. You know, I hope we can help you. I can just see Senators and Congressmen trying to protect their own installations, that is human, I am guilty of it myself.

But I hear you, I hear you. We will do our best, my friend. We will do our best.

COST REPAIR OF U.S.S. IOWA

Admiral Arthur, let me ask you a question. What is the current estimate for the cost of repair on the gun turret on the U.S.S. *Iowa*?

Admiral **ARTHUR**. The latest number I have seen, Senator, is somewhere between $15 and $20 million, and that is a very rough estimate which will be refined. As you know, we have made the decision to go ahead and sail her according to her original schedule, clean up the turret, do an extensive survey of what needs to be done while she is deployed, and then bring her back for repairs. We will refine that figure over the summer.

Senator **DIXON**. At some time I would hope we would get the benefit of all the information you have about why that accident occurred.

Admiral **ARTHUR**. Yes, sir.

Senator **DIXON**. At least this Senator, and I suspect other members of the committee, would like to be enlightened more on those fabric bags, the silk bags, and whether we have improved, the question of flammability and a lot of other questions.

I do not say that is what caused it, because I do not know. But that has occurred to me as a kind of thing that has been in existence for I guess half a century or more. It seems to me there could be some improvements in protection of our people there, but I do not know that.

I would be appreciative if maybe some folks over in your place could let us know some time when we could have a talk about that. Maybe it is supposed to be a classified talk. Maybe that is what it should be. I would be interested in being enlightened about that, because, believe it or not, people that read those newspaper articles ask questions about things like that.

Admiral ARTHUR. Of course. Since we have a moratorium on firing all of the 16-inchers right now, we are very interested in getting that capability back. We have brought in an expert—the name escapes me right now—from outside who is supposed to be one of the world's foremost chemists. He is an expert regarding munitions, powders, the chemical breakdown and the lifetime that those bags can be held in a stabilized condition.

Senator DIXON. I understand it has really only happened three times in the last half century. I would like to ask our chairman some time, even if it is classified, to have a hearing about this when you are prepared. I would not want to—you know, you want to do a conscientious job in looking into it before you are prepared to come here and talk to us.

But I think some of us are concerned about that and want to know more about it.

Admiral ARTHUR. We will certainly do that, sir.

Senator DIXON. I thank you very much.

Unless Senator Levin wants to ask questions of this panel, and he is welcome to do that, I was going to ask him to take the chair for the next panel while I go to the floor on this FS–X debate. Could he accommodate me?

Senator LEVIN. I would be happy to do both, but I do have a few questions for this panel.

Senator DIXON. Would you mind if I went on?

Senator LEVIN. No.

Senator DIXON. I want to thank you all. And may I say to the next panel, I apologize for my inability to stay with you. It is the first time I have ever left before a hearing was over, but I am the manager on this matter on the floor, which is a matter some of us have a lot of interest in. I hope you will excuse me so I can go to the floor.

I thank my friend from Michigan for chairing.

ACQUISITION REFORMS

Senator LEVIN [presiding]. First let me ask you a question, General Hansen, about a recent magazine article in Military Forum, in which you were quoted as saying that we should take a look at acquisition reforms to address those that were not very smart, in your words.

Can you identify for us this morning which of those reforms in particular you would revise, get rid of?

General **Hansen**. Well, as I am sure you are aware, the Secretary of Defense had asked all the services to comment on specific portions of the laws and also the reforms that could be improved upon.

Now, I was not addressing the Packard Commission reforms as far as streamlining commercial buying and the training of our acquisition corps. But there are quite a few legislative adjustments that could be made that would make things quite a bit easier for us.

I have an extensive list that, if you would like, I would submit for the record for you. We did send them to OSD several months ago, and that was to Dr. Costello, whose last day is today, and I am not sure what the disposition of those all are.

But I understand they had quite an extensive list of recommendations to make to improve the process.

Senator **Levin**. Would you find out for us what the disposition was and let us know that when you send us along the list?

General **Hansen**. Certainly, Senator, I will do that.

[The information follows:]

ACQUISITION PROCESS

We have identified several areas of legislation which pose significant administrative problems to the acquisition process which would require only minor changes to mitigate the problem. Our list of issues follows:

a. Permit commercial practices. Commercial practices use functional requirements, and select sources based on past performance, quality of product, management and financial strength. The result is acquisition of the best value using more efficient procedures.

b. Repeal UCA limitations. UCA restrictions degrade logistics support and readiness across weapon systems.

Status: Submitted to Congress in the fiscal year 1989 Authorization Bill. Congress determined that the agencies were making good progress and agreed not to extend the reporting requirements which expired March 1989.

c. Amend mandated referrals to SBA. Certificate of competency (COC) referral should not be required for small purchases or for competitive small business awards. The current zero dollar threshold results in a high volume of referrals for very low dollar value acquisitions at significant administrative cost and effort.

Status: Submitted to the 100th Congress through the OMB for consideration in the fiscal year 1989 Authorization Act. This issue was deferred by the Senate Armed Services Committee to the Senate Small Business Committee which refused to act on it.

d. Amend protest procedures. Procedures should be revised to require protests to be initially lodged with the contracting officer. This would relieve some of the congestion in the protest review process as 20 percent of the GAO protests filed against AFLC over the past three fiscal years were subsequently withdrawn. In an effort to ensure only the most serious protestors would indeed protest, the Government should be allowed to recover reasonable cost for defending protests when such protests are withdrawn, denied or dismissed. Finally, the authority for the General Service Board of Contract Appeals (GSBCA) to rule on protests relating to automated data processing equipment (ADPE) should be repealed because their protest procedures result in a mini-trial consuming precious legal resources as well as the fact that the GAO is more experienced in handling procurement related protests.

e. Increase statutory thresholds equal to small purchase threshold. Simplified small purchase procedures are complicated by the myriad of required clauses and certifications which must be applied at varying thresholds below the $25,000 small purchase threshold. Our proposal would raise all thresholds to the same level as the small purchase threshold.

f. Delegate J&A's over $10 million and under $100 million. Current requirements do not increase competition and unduly increase contract lead times.

g. Amend multiyear contracting requirements. Requirements for multiyear contracting should be simplified to encourage its use and to enhance the associated benefits. Specifically, the requirements for dual proposals on small acquisition, dual submissions of the findings package, and minimal percentage savings requirements should be eliminated. Unfunded cancellation ceilings should be permitted, and economic order quantity buys under $20 million should be authorized. Multiyear approval requirements are time-consuming and burdensome which makes their use unattractive.

h. Amend subcontracting plan requirements. Negotiation of individual contract subcontract goals, and the tracking and reporting of such, continues to be a costly and time consuming requirement which results in no appreciable benefits. Negotiation should be allowed on a plant-wide or division-wide basis.

Status: Included in the submittal to the 100th Congress. The Senate Armed Services Committee deferred this issue to the Senate Small Business Committee, which refused to act on it.

i. Eliminate mandatory synopsis waiting period. Mandatory synopsis waiting period adds to administrative lead time without sufficiently increasing the competitive nature of the solicitation.

j. Eliminate need for J&A when source is directed by country-to-country agreements. In the case of acquisition under 10 USC 2304(C)(4), the requirement to justify in writing and obtain approval for the use of other than full and open competition is in vain and unnecessarily increases administration lead time.

k. Exempt commercial items from those statutes requiring flow down to all subcontracting tiers. Prime contractors cannot ensure that commercial vendors or their subcontractors are in compliance because often components are previously manufactured and are considered "off-the-shelf".

l. Allow solicitation of suspended contractors for sole source items of supply. Allowing the acquisition process to proceed to the point of award will reduce administration lead time, reduce the number of UCA's issued, provide timely mission support and provide an incentive for contractors to settle with the Government.

m. Allow the Government to implement final determination of data rights challenges. Permitting the Government to use technical data on an unrestricted legend while the validity of the restrictive legend is being determined will provide an incentive for the contractor to diligently pursue the litigation to a conclusion and protect the Government from being locked into a sole source situation during litigation.

Dr. Costello's report to Congress, "Recommendations/Analysis of the Legislative Issues," (Dec 20, 1988) reaffirms the need for legislative changes so that we can do our business more efficiently. The report includes "DOD legislative proposals to improve the procurement process submitted to Congress on 31 Mar 88 that were not enacted by the 100th Congress which are appropriate for re-consideration by the 101st Congress." The following issues have been included: Subcontracting Plans, COC Referral, Single threshold for Small Business level, J&As relative to FMS and approval over $10 million, and Authorizing commercial type procurement for commercial equipment and services.

Senator LEVIN. Thank you so much, General.

UNREPAIRED ENGINES

Another quote from that interview was critical of the Congress because of the backlog of unrepaired engines in the Air Force. Since the defense spending level for 1988 and 1989, as I remember, was set by a compromise between the Congress and the President, why would you lay that at the doorstep of the Congress?

General HANSEN. Well, one of the problems that we had in the backlog—and by the way, I am still working my way out of that engine problem—if you will recall the problem that we had with the furlough issue in 1988 that had a tremendous impact. Even though it never came about, it had a tremendous impact on my productivity.

And also, as a result of the fact there was not a direct reduction in that account but, if you recall, Congress authorized several items without providing the funds. For example, a civilian pay raise was one, and then also we had to pay our fair share of the foreign currency fluctuation and there were some medical benefits that were approved but were never funded.

As a result of that, I actually ended up with considerably less money in my civilian pay account. It was about $95 million. And that whole issue of furloughs centered around that $95 million. And I did not get the money, if you will recall, until almost the last quarter.

As a result of that, our productivity dropped substantially in several areas. One of them happened to be the F-100 engine area which by the way, as I said earlier, is in very bad shape. We have a recovery plan for that and hopefully we will dig our way out.

So that was the reference.

Senator LEVIN. Did we cut a request of the administration in those three areas?

General HANSEN. No. No, sir. What you did was that you authorized without providing the appropriation.

Senator LEVIN. Did the administration request an appropriation that we did not provide?

General HANSEN. Yes.

Senator LEVIN. In each of those three areas?

General HANSEN. Yes.

Senator LEVIN. So there was a request for funds by the administration and then, without the administration's consent, we cut those appropriated funds to a level below that requested?

General HANSEN. And then authorized the action, yes.

Senator LEVIN. General Wagner, in fiscal years 1990 and 1991 you fund only 80 percent of your annual depot maintenance requirement, which gets us back to the 1988 level, I believe. Can you tell us what the consequences are in these large depot maintenance backlogs on equipment readiness rates in the field?

DEPOT BACKLOGS

General WAGNER. The depot backlogs are going to go up. We put the emphasis on repairing the secondary spare parts when they come into our depots. So I think that we will be able to keep readiness during that period up to our goals. There will probably be some degradation.

Unfortunately, we are not going to overhaul end items, which means that over time they are going to be in such bad shape that when they do come in it will cost a lot more and they will be less reliable in the field.

DEGRADATION ON READINESS

Senator LEVIN. When you say there could be some degradation on readiness, could you tell us what that means?

General WAGNER. Well, we have seen 1½ percent decrease in the last year or so in readiness. We are still at our goals. I cannot—because of the classification, go into the details of all of that.

Aircraft is the principal area in which we are having difficulty maintaining our readiness today. So I believe that that will drop off and it is going to be difficult to maintain those goals.

DEPOT MAINTENANCE

Senator **Levin**. Was there a reduction in the request for depot maintenance in the current request from the January request?

General **Wagner**. I would have to provide the specific numbers for the record, sir. I know that we are at about 83 percent of the total amount we need there. We requested the total amount, but, because of the severe cuts that were imposed on the Army, we were not funded at the 100 percent level.

[The information follows:]

Depot Maintenance Funding

The only change in the request for depot maintenance funding in the current request from the January request is a reduction of $18 million. This reduction was primarily to compensate for the change in the foreign currency rate.

Senator **Levin**. I think that is going to fall to 80 percent in 1990.

General **Wagner**. That is correct, sir.

Senator **Levin**. Is that something that you loathe?

General **Wagner**. Yes, sir, loathe that, because in the long run——

Senator **Levin**. I would like to have the record reflect some of that loathing. [Laughter.]

General **Wagner**. In the long run, sir, we are not going to be able to keep up our readiness. I went down to the depots, for example, and looked at some of the equipment coming in from the field, because it did not come in on schedule. It is in terrible shape compared to what we normally get in to overhaul, because it was being kept together by constantly putting spares on it to keep it running. It was not something that you would want to go to war with, because it would not have the reliability it needed over the period of the war.

Senator **Levin**. Okay, thank you.

General Hansen, relative to Air Force depot maintenance, that backlog I think also increases in fiscal years 1990 and 1991. Can you tell us if that is true and what the consequences are?

DEPOT BACKLOGS

General **Hansen**. Well, as you know, depot backlogs have been very controversial, at least over the 7 years now that I have been testifying in Congress. We have made a concerted effort now to quantify our depot backlogs and I think we have come a long way in the last 5 years and there are some improvements to be done.

Senator **Levin**. Will there be slippage in that?

General **Hansen**. Pardon me?

Senator **Levin**. Will there be slippage in that improvement?

General **Hansen**. No, I do not think there will be any slippage. As a matter of fact, I think we will make more progress.

Senator **Levin**. You got what you asked for in terms of Air Force?

General **Hansen**. Yes, I did. I got the amount of money that we asked for. The backlog that we will end up with is a little over $300 million which is a couple hundred million dollars more than I would like to see. But there has been some slight improvement between the 2 years.

Senator LEVIN. Thank you.

And Admiral Arthur, I believe that there are four ship overhauls that have been deferred in fiscal year 1990 and five ship overhauls that have been deferred in fiscal year 1991. Can you tell us what kind of ships these are that will not receive their regularly scheduled overhauls?

Admiral ARTHUR. Let me see if I have that.

I do not have that specific mix with me at the present time.

Senator LEVIN. Would you provide that for the record?

Admiral ARTHUR. Yes, sir.

[The information follows:]

The ships that will not receive their regularly scheduled overhauls in fiscal year 1990 and 1991 are as follows: Fiscal year 1990—LHA-3, SSN-651, CG-24, CG-27. Fiscal year 1991—CG-47, BB-62, LHA-4, LHA-5, DD-982.

NAVY MAINTENANCE BACKLOG

Senator LEVIN. The total maintenance backlog on Navy airframes, it is 21 airframes in 1990. That is the backlog as we understand it. That is up from 19 in 1989, and that is going to go up further, to 45 airframes in 1991.

Your engine repair backlog grows from 199 in fiscal year 1989 to 312 in fiscal year 1990, to 409 in fiscal year 1991. Does that worry you?

Admiral ARTHUR. Yes, sir, it does.

Senator LEVIN. Can you tell us why that worries you?

Admiral ARTHUR. We would not like to see workloads grow that rapidly. We are managing with our present assets, and we know that we can manage at a certain level. However, as the number grows it becomes much more of a management problem. As we discussed earlier, when you have your pipeline aircraft coming into rework, you are not worried about whether an engine is available for a particular airplane because it is not going to be used for a while.

When we go to the higher numbers, of course, then we start having bare firewalls that are outside the pipeline aircraft, and that then does affect aircraft on the flight line.

Senator LEVIN. Well, what does all this mean in terms of our readiness to go to war? Are we in worse shape with 400 airframes?

Admiral ARTHUR. We will not see that kind of number. What we are predicting is that this will impact about 3 percent of our inventory that we would like to have on the flight line, and that becomes a worrisome problem.

We do not worry about the aircraft in the staging line or in the pipeline, as we call it, but we do worry about the number of aircraft on the flight line. A 3-percent degradation starts to take aircraft off the flight line.

Senator LEVIN. And does this represent a 3-percent degradation?

Admiral ARTHUR. Yes, sir.

Senator LEVIN. So this could have a direct impact then on our capability in case of emergency?

Admiral ARTHUR. Yes, sir.

Senator LEVIN. Did you ask for funding for engine repair that you did not get?

Admiral ARTHUR. We did not get all of the funds we requested. We feel we came through taking more than our fair share of the cuts. We were able to bid rather successfully so as to not take our fair share on the downturn.

Senator LEVIN. So that compared to some other accounts you did better, but you took a cut. You requested more than you got?

Admiral ARTHUR. Yes, sir.

Senator LEVIN. And you are worried about the implications of that?

Admiral ARTHUR. Yes, sir.

Senator LEVIN. Is that a fair statement?

Admiral ARTHUR. Yes, sir.

READINESS AND SUSTAINABILITY

Senator LEVIN. General Hansen, last week Air Force Chief of Staff General Welch told the committee that in this budget readiness is not fully funded and sustainability is poorly funded. Do you share his view?

General HANSEN. Absolutely, Senator Levin. Readiness, the readiness account—we in the Air Force define two separate accounts. Readiness is our ability to go to war; sustainability is our ability to go ahead and continue the actions.

In the readiness account while it is not fully funded, it is adequately funded. Our problem is that we have not bought the war-fighting spares that are necessary. As a result of that we are sitting right now in our wartime spares account for 1990 buying 8 percent of the war-fighting spares.

So although the depot maintenance account most assuredly is very important and we are funded there because we see that also as a readiness account, our main concern is in the war-fighting spares and it is poorly funded.

PERSONNEL AND EQUIPMENT

Senator LEVIN. General Wagner, in your statement you say that the Army remains significantly underfunded to sustain personnel and equipment in wartime. Is that true just for fiscal year 1990 or does that apply to the entire 5-year defense program?

General WAGNER. That is essentially across the 5-year defense program, sir.

Senator LEVIN. And could each of you—I guess General Hansen just has, but would each of the others characterize your sustainability at the end of the current 5-Year Defense Plan? General Wagner?

General WAGNER. Yes, sir. I cannot, because of classification, give you the specific number of days of sustainability, but there will be no substantial increase in sustainability during that period.

Senator LEVIN. Will there be any degradation in it?

General WAGNER. There will be no drop in number of days of supply as far as I know now. The problem we run into is, we are still putting more modern equipment in the field, which requires the parts to sustain them. And that worries me, particularly in the stock fund, if I am going to have the dollars to buy repair parts in that area.

I believe, in my procurement appropriation for secondary parts, I am going to be okay as far as not losing ground, but also not gaining any ground. However, I am short right now in the $2, $3 billion range, in what we would need as a minimum level of sustainability to go to war. And we are not going to make much of a dent in that in the next 5 years.

Senator LEVIN. Okay. General Hansen, do you want to add anything to what you said before?

General HANSEN. No, I would just say that over the 5 years it will continue to deteriorate because the funding in wartime spares in 1991 is only predicated at 5 percent. What is happening is the previous years of good funding are now starting to deteriorate and we are forced as we bring new airplanes on board, not to buy the spares, the war-fighting spares.

We buy the peacetime readiness spares but we are not buying the war-fighting spares.

Senator LEVIN. Okay. And Admiral, at the end of the 5-year plan how is your sustainability?

Admiral ARTHUR. We will maintain about where we are today. Of course, for our deployed forces; for instance, aboard carriers, our parts support does include parts for a wartime flying rate. So they can sustain themselves at a wartime flying rate with the present spares on board our aircraft carriers. This is a dramatic change from a few years ago.

Senator LEVIN. And that is going to continue through the 5-year period.

Admiral ARTHUR. Yes, sir. We will hold on, but we will not make any gains.

Senator LEVIN. Senator Thurmond, do you have any more questions for this panel?

Senator THURMOND. No more questions. Thank you, Mr. Chairman.

Senator LEVIN. Thank you.

We want to thank this panel very much.

Senator THURMOND. I would like to express my appreciation to these able gentlemen who testified this morning.

General WAGNER. Thank you very much.

General HANSEN. Thank you.

Senator LEVIN. Good morning, gentlemen. Our second panel is from the General Accounting Office and they will present the results of a review of the Defense Department's asset capitalization program which Senator Dixon requested last year.

The asset capitalization program provides for the modernization of the equipment in the military services' industrial activities, activities like aircraft maintenance depots, shipyards, or public works centers. Prior to 1983, replacement plant and equipment for these facilities was purchased through the procurement appropriations, and that meant that industrial plant equipment had to compete with other investment programs.

When it came time to cut the budget, industrial plant equipment fared even worse than the other readiness and sustainability program that this subcommittee is concerned about.

In fiscal year 1983, the Defense Department adopted a new method of financing industrial plant equipment called asset capitalization program. Under the program, industrial activities pay for the cost of the equipment and then recover the cost by including depreciation expenses in the charge for work performed, such as aircraft overhauls or ship repairs.

The objectives of the program are to make our industrial operations more businesslike and efficient. According to the GAO, the Department spent over $5 billion in the asset capitalization program from fiscal year 1983 to fiscal year 1989.

Representing the General Accounting Office here this morning is Louis Rodrigues, the Director of Logistics Issues in GAO's National Security and International Affairs Division, and he is accompanied by his Assistant Director, Mr. George Jahnigen. We welcome you both and, Mr. Rodrigues, please proceed, unless Senator Thurmond has a comment?

Senator THURMOND. I do not have any opening statement on this, Mr. Chairman.

Senator LEVIN. Thank you.

Mr. Rodrigues.

STATEMENT OF LOUIS J. RODRIGUES, DIRECTOR, LOGISTICS ISSUES, NATIONAL SECURITY AND INTERNATIONAL AFFAIRS DIVISION, GENERAL ACCOUNTING OFFICE, ACCOMPANIED BY GEORGE JAHNIGEN, ASSISTANT DIRECTOR FOR LOGISTICS ISSUES, NATIONAL SECURITY AND INTERNATIONAL AFFAIRS DIVISION, GAO

Mr. RODRIGUES. Senator, I have submitted the full testimony for the record and I would proceed by summarizing if it is all right with you.

Senator THURMOND. Speak out now so we can hear you.

Mr. RODRIGUES. Fine, Senator.

Senator Levin, Senator Thurmond, we are pleased to be here today to discuss the results of our review of DOD's asset capitalization program. We believe the program offers great potential for modernizing industrial fund operations. However, while some ACP projects have achieved benefits, many others have not because program guidance is unclear or not being followed, the services have not adequately implemented the elements of a sound capital investment program, and internal controls are inadequate.

OSD has provided limited guidance on what can be purchased with program funds. OSD program guidance does not specifically identify its intent that funds should be focused primarily on projects that contribute significantly toward fulfilling the activities' missions.

In the case of DOD industrial activities, this means that the activities were to primarily purchase plant equipment that directly supported the operations of their repair or manufacturing shops. DOD agrees there is a lack of specific guidance and plans to provide such guidance by September 1989.

In addition, although DOD guidance was specific regarding items that cannot be purchased with ACP funds and with regard to charging customers for unique purchases, it was not always followed.

For example, OSD guidance precludes using ACP funds for tenant activities. However, the Mare Island Shipyard bought 24 vehicles for its tenants, valued at $150,000. Furthermore, shipyard officials knew it was improper to do so. This use of ACP funds deprived the shipyard of funds needed for equipment purchases.

Similarly, OSD guidance states that ACP funds used to purchase equipment unique to a particular customer or program should only be charged to that customer or program. Between fiscal years 1984 and 1988, six Navy shipyards spent $81 million in program funds on unique environmental enclosures needed for special hull treatment on attack submarines. These costs were charged to all the shipyards' customers instead of just the program's sponsor. DOD agreed that only the program sponsor should have been charged.

The asset capitalization program is not yet a sound capital investment program. We found that, in contrast to a typical DOD program, it did not have a functional program manager to provide overall program guidance, direction, and oversight. Instead, OSD's controller staff handled program management responsibilities, but generally only provided budget and accounting guidance.

We also noted that activities did not always follow existing procedures for justifying, reviewing, and approving projects and were slow to acquire and install projects. Of 106 projects we reviewed, valued at $83 million, we found no evidence that 11 projects had ever been justified. For the remaining 95 projects, 39 justifications were inadequate, for such reasons as using improper workload projections and equipment costs and inadequate consideration of alternatives to purchasing equipment.

In addition, for 31 projects we reviewed that met the criteria for command review, we found that the reviews were limited and projects were approved on a perfunctory basis.

Because of these management weaknesses, the program has not achieved its full potential for increasing efficiency and productivity. OSD had not formally required the services to perform post-benefit analyses. As a result, the Navy had not performed any and the Air Force did not perform any before 1987.

Of 82 projects we reviewed, 27 projects, valued at $30 million, had achieved fewer benefits than expected or no benefits at all. For example, the Army's Watervliet Arsenal purchased three bed mills in fiscal year 1985 for about $1.4 million. The arsenal estimated the benefits at about $271,000. A post-investment analysis showed that the actual benefits were about $199,000 or $72,000 less than estimated.

The reason for the lower benefits was due to differences between estimated workload projects and actual use of the equipment. DOD generally concurred with our findings in this area and they plan to take action by the end of 1989

We also found that the program's internal controls were not adequate. Such controls are needed to ensure that managers comply with laws and policies, safeguard assets, and accurately account for revenues and expenditures.

We found that because control techniques were not always followed, depreciation and property records and project files were inaccurate. As a result, the rates charged by the activities were in some cases incorrect and some equipment cannot be accounted for.

Of 105 projects valued at $39 million, 62 projects valued at $26.4 million were not properly depreciated. Twenty-one of these projects were not being depreciated at all.

Furthermore, the activities did not maintain adequate property records. Three activities' inventory or property control records did not list several equipment items purchased with ACP funds. Some of these items had been used for several months.

Each of the services indicated they will be taking actions to address these problems.

In addition to reviewing the overall management of the ACP, your staff requested that we identify any major factors affecting execution. We found that since the program's inception two factors—nondiscretionary service and command-directed purchases, and budgeting based on obligation rates—have affected the activities' ability to execute the program in a manner consistent with OSD's original intent.

Nondiscretionary purchases have limited the activities' buying power. Officials at three of the activities we visited stated that their discretionary buying power has been affected by an increasing number of nondiscretionary projects that receive higher funding priority. They expected discretionary funding to continue to decline. For example, Mare Island Shipyard used about $25 million of its $88 million in funding for fiscal years 1983 through 1987, or about 28 percent of its total, for nondiscretionary items.

According to the ACP coordinator, as a result of nondiscretionary purchases the amount of ACP funds for machine tool purchases had decreased from about 60 to 20 percent.

For fiscal years 1988 through 1992, the shipyard expects that about $23 million, or 32 percent of its ACP budget, will be for nondiscretionary purchases, including a $3.3 million production management information system.

The second factor impacting program execution was activities' actions to obligate approved funds by the end of the budget year. The commands' obligation rates are a determinant of the appropriateness of their ACP budget allocations.

To avoid losing funds, some activities bought lower priority items because they were readily available from commercial sources. For example, the Red River Army Depot did not have sufficient time remaining in the fiscal year to obligate $1.1 million. To avoid losing the money, it purchased lower priority items, such as modular furniture, in lieu of high priority items, such as a shearing machine.

The last area I would like to address is congressional oversight of ACP funds. We believe the current means of reporting program purchases to the Congress, especially non-discretionary purchases, does not provide sufficient visibility over the use of program funds.

Because of similar concerns, the House Committee on Appropriations required the Secretary of Defense in fiscal year 1987 to annually submit a report to the Congress on past and projected ACP purchases. The report, which covers 3 fiscal years, does not reflect the total costs of large service or command-directed projects which last more than 3 years.

For example, the Air Force report shows a 3-year total cost of about $51 million for the depot maintenance management information system. The total cost of this system is projected to reach $275 million through fiscal year 1999.

To assure adequate program visibility, the Congress may wish to amend the current reporting requirement to include the total cost of projects through their completion.

Mr. Levin, that concludes my statement. I would be pleased to answer any questions at this time.

[The prepared statement of Mr. Rodrigues follows:]

Statement of
Louis J. Rodrigues, Director, Logistics Issues
National Security and International Affairs
Division

Mr. Chairman and Members of the Committee:

We are pleased to be here today to discuss the results of our review of the Department of Defense's (DOD) management of its Asset Capitalization Program (ACP). The Congress approved this program in 1982 to bring about more business-like operations at industrial fund activities, such as aircraft maintenance depots, shipyards, and public work centers, that perform functions of an industrial or commercial nature. The program is intended to increase economy, efficiency, and productivity, and strengthen the industrial base by modernizing or rehabilitating existing plant and industrial equipment.

Under the program, the activities purchase equipment with industrial funds rather than direct appropriations. An activity initially finances the cost of the equipment and then charges its customers, such as fleet commanders and weapon systems managers, for work performed. The activity then recovers the cost of equipment by including the depreciation expense in charges to its customers. Between fiscal years 1983 and 1989, about $5 billion was approved for the program and about 80 activities were authorized to participate.

RESULTS IN BRIEF

The program offers great potential as a technique for financing projects needed to modernize industrial fund activities' operations. However, while some ACP projects have achieved benefits, many others have not because of several management weaknesses that require corrective action.

First, the Office of the Secretary of Defense (OSD) has provided either limited guidance or unclear and conflicting guidance on what can be purchased with program funds. As a result, activities have used program funds on a wide-range of projects including some that appear to be inconsistent with the program's original intent. Second, when OSD or service and command guidance was specific, it was sometimes not followed. Third, the services have not yet adequately implemented the elements of a sound capital investment management program, including providing adequate management support; well-defined program criteria for justifying, reviewing, and approving projects; and post-investment analyses. Fourth, the services lacked or failed to follow internal control procedures designed to accurately account for and safeguard capital equipment.

Three other factors appear to have affected the program's execution. First, the increasing value of nondiscretionary purchases, which we define as service- or command-directed projects, for such items as management information systems, coupled with funding reductions, have restricted the activities' ability to buy needed plant equipment in recent years. Second the activities must obligate program funds by the end of the budget execution year or they lose them. To avoid losing money, some activities bought lower priority items because they were readily available from commercial sources. Third, the current means of reporting program purchases, especially non-discretionary purchases, to the Congress does not provide sufficient visibility over the use of program funds.

BACKGROUND

Industrial fund activities, established by DOD with congressional approval in 1949, use working capital funds rather than direct appropriations to finance the cost of goods and services provided to customers.[1] The customers use appropriated funds to reimburse these activities for work performed. Industrial fund activities are industrial-type activities, such as Army and Air Force maintenance depots and Navy shipyards, and commercial-type activities, such as Navy public works centers and Air Force laundry and dry cleaning services. During fiscal year 1988, DOD operated 81 industrial fund activities (49 industrial-type and 32 commercial-type) that employed about 277,000 civilian personnel and did about $24.3 billion worth of business.

Prior to fiscal year 1983, DOD's industrial fund activities had to compete against the procurement of ships, aircraft, and weapon systems when requesting procurement funds for new plant equipment. According to DOD, the activities were generally less than successful in the competition and, as a result, many equipment requirements went unfunded. Over time, much of the equipment at these activities became outdated, inefficient, and less productive than similar equipment in the private sector. To correct this problem and allow for more business-like operations, DOD established the ACP in fiscal year 1983. The program's objectives are to increase economy, efficiency, and productivity and strengthen the industrial base by modernizing and improving industrial fund operations.

The ACP finances plant equipment acquisitions, modifications, and rehabilitations with a useful life of 2 years or more and costing more than $5,000.[2] It also finances minor construction projects costing between $5,000 and $200,000 with a useful life of at least 2 years and the development of management information projects costing more than $100,000.

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[1] DOD customers of the industrial fund include fleet commanders, weapon systems managers, DOD agencies, and other elements of DOD involved in logistics support.

[2] Prior to fiscal year 1986, equipment costing more than $1,000 was considered a capital asset and could be purchased with ACP funds.

Under the ACP, the cost of modernizing is shifted to the appropriations of each activity's customers. The cost of capital improvements becomes a part of each activity's operating cost and is recovered from its customers through depreciation charges over the useful life of the asset. For example, depreciation for equipment purchased by a Navy shipyard to repair submarines would be added to the costs charged for submarine repair work only.

OSD GUIDANCE DOES NOT ADDRESS PROGRAM PLAN

When OSD initiated the ACP it planned for industrial fund activities to primarily use the ACP funds to purchase plant equipment that contributes most to the accomplishment of the activities' missions. OSD stressed this fact in 1982 testimony before the Congress leading to the establishment of the ACP. The testimony contained several policy statements that, among other things, (1) called for the use of ACP funds rather than appropriated funds to satisfy most capital investment needs, (2) identified Defense organizations and equipment items for which ACP funds could or could not be used, (3) discussed procedures to be used in accounting for and depreciating ACP projects, and (4) established documentation requirements for ACP purchases and follow-up analyses.[3] However, OSD guidance does not specify the program's intent to purchase primarily essential equipment, nor does it define essential equipment.

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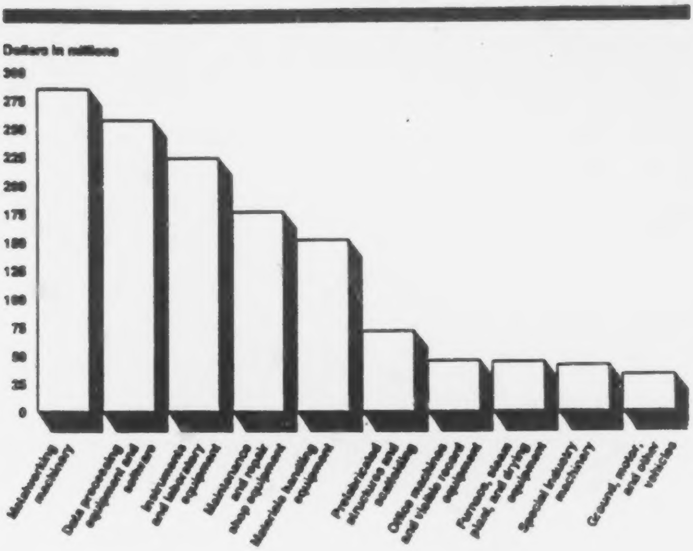
[3] Several ACP policy statements contained in a January 14, 1982, memorandum to the Service Secretaries were addressed in the testimony. Subsequently these policy statements were incorporated into DOD Instructions 7410.4 R "Industrial Fund Operations," dated April 1982 and 7410.4 "Industrial Fund Policy," dated July 1988. The services have issued various instructions to implement the DOD instructions.

According to an OSD official who played a leading role in the program since its inception, when OSD formulated the program it intended for the activities to use the majority of their ACP funds to buy equipment that directly supported the activities' primary missions. He noted that in the case of DOD industrial (repair or manufacturing) activities, such as the Naval shipyards and Army arsenals, the activities should have purchased plant equipment that directly supported the operation of their repair or manufacturing shops. For these activities such equipment consists of industrial plant equipment (machine tools) and certain types of other plant equipment, such as materials handling equipment.

Our review of the hearing leading to the congressional approval of the program and subsequent congressional reports on the program corroborates the OSD official's views. For example, the fiscal year 1983 House Appropriations Committee Report on the Defense Budget focused extensively on industrial plant equipment for industrial activities. The fiscal year 1984 House Appropriations Committee Report on the Defense Budget again only referred to industrial plant equipment purchased when it discussed the ACP program.

Our work focused on four commands and seven subordinate industrial fund activities. The activities used ACP funds to buy a wide range of equipment. Figure 1 shows the top 10 categories of equipment purchased between fiscal years 1983 and 1987 with ACP funds at the four commands we visited.

Figure 1: Top 10 Federal Supply Groups of ACP Purchases (Fiscal Years 1983-1987)



Although it appears that the need for most of the equipment purchases we reviewed existed, it is uncertain to what extent the purchases contribute to repair or manufacturing operations. For example, the top 10 equipment categories contained some equipment (automated data processing equipment and software development, prefabricated structures, office machines, and vehicles) that is not generally directly used in the repair or manufacture of items. The automated data processing category includes some computer attachments for industrial machines, but it also includes personal computers that do not directly contribute to repair or manufacturing operations. The office machine category includes such equipment as copying machines and word processors that do not directly contribute to these operations. Also, some vehicles should not have been procured with ACP funds. Furthermore, there has been significant growth in the four equipment categories. Figures 2 and 3 show the increased ACP purchases from fiscal years 1983 to 1987 in the automated data processing equipment and software and vehicle categories.

Figure 2: ACP Automated Data Processing Equipment and Software Purchases at the Four Commands Reviewed (Fiscal Years 1983 to 1987)

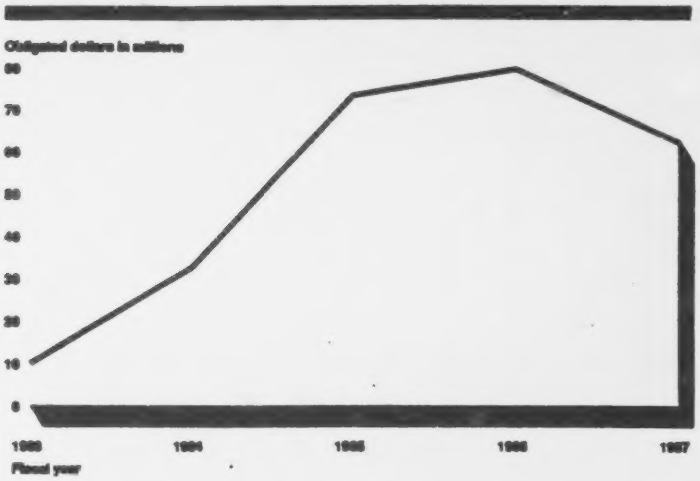
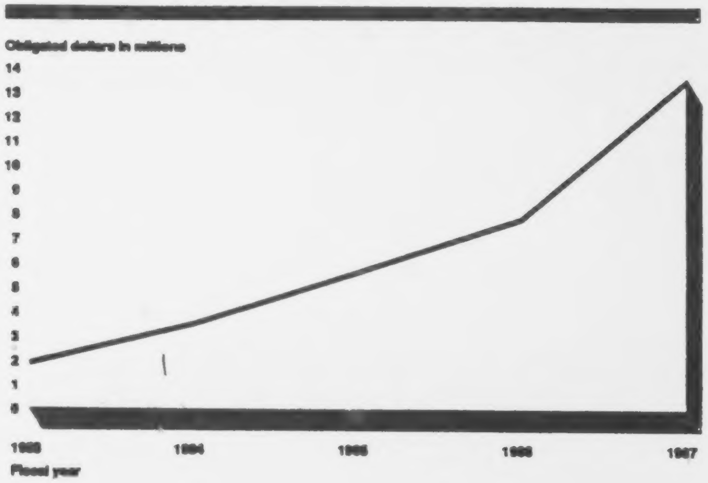


Figure 3: ACP Vehicle Purchases at the Four Commands Reviewed (Fiscal Years 1983 to 1987)



In addition we found examples of purchases in other equipment categories where the extent of their contribution to the fulfillment of the activities' missions was unclear.

-- The Yorktown Weapons Station purchased an insect sprayer for $5,300 in 1984. It used the sprayer about 5 times in fiscal year 1987 and, as of August 1988, it had not used the sprayer at all during fiscal year 1988. An official who supervises sprayer operations said that the primary locations sprayed are the family housing and golf course areas that do not provide direct support to the activity's primary mission.

-- The Watervliet Army Arsenal purchased over $500,000 of office furniture for numerous administrative and overhead organizations.

-- The Red River Army Depot purchased two automated drug detection systems in 1986 capable of testing 270,000 urine samples per year, for about $46,000 to perform drug tests of personnel in specifically designated critical positions. After procuring the systems, the depot determined that only 160 military and civilian personnel required an annual drug test, and only three of these personnel were associated with maintenance, the depot's primary mission. The depot determined that one system would more than satisfy its drug testing needs and, therefore, declared the other system excess.

DOD agrees that there is a lack of specific guidance to the services emphasizing the need to buy equipment used in direct support of the activities' primary mission and plans to provide such guidance to the services by September 1989.

OSD AND COMMAND ACP GUIDANCE NOT FOLLOWED

We also found instances when OSD or command guidance was specific regarding items that cannot be purchased with ACP funds and charging customers for unique purchases, but was not followed.

-- OSD guidance states that ACP funds used to purchase equipment unique to a particular customer or program should only be charged to that customer or program. Six Navy shipyards spent

$81 million of ACP funds between fiscal years 1984 and 1988 on unique environmental enclosures needed for a special hull treatment on attack submarines. An additional $7.7 million is budgeted to acquire more enclosures through fiscal year 1992. Because of the uniqueness of the equipment and the amount of money involved, shipyard representatives recommended to the Naval Sea Systems Command, as far back as 1984, that only the specific customer should pay for the enclosures. These costs were charged to all customers rather than just the specific program sponsor.

-- Although OSD guidance precludes using ACP funds to purchase items for tenant activities, the Mare Island Shipyard bought 24 vehicles valued at $150,000 with ACP funds for its tenant activities. Shipyard officials knew this was an improper ACP expenditure, but stated that Mare Island had to provide vehicles for all shipyard activities and the ACP was the only available funding source. This use of ACP funds deprived the shipyard of funds that could have been used to reduce its backlog of industrial plant equipment projects.

-- Although an Air Force Logistics Command regulation specifies that the ACP is not to fund prototypes for new repair technology, we found that the Sacramento Air Logistics Center used about $3.2 million in ACP funds to cover a funding shortfall in DOD's Productivity, Reliability, Availability, and Maintainability program to procure a prototype stationary radiography system.

According to Center officials, no funding alternatives existed when the program's shortfall occurred: therefore, the Center decided to use ACP funds. Center officials believed the project would have been in serious jeopardy if they had not used ACP funds, risking the $7.4 million in program funds already expended.

ACP IS NOT YET A SOUND CAPITAL INVESTMENT MANAGEMENT PROGRAM

A sound capital investment management program includes (1) top management involvement and support, (2) a systematic approach for identifying investment opportunities, (3) well-defined procedures for justifying, reviewing, and approving projects, (4) prompt implementation of approved items, and (5) post-investment analyses to determine if anticipated benefits are being realized. We found deficiencies in each of these program elements.

Inadequate Management Involvement and Support

Top management involvement and support is one of the prerequisites for a successful capital investment strategy. Such involvement and support is demonstrated through clear program guidance, well-defined organizational responsibilities, and sufficient staffing resources for program management. Management involvement and support could be improved at all levels; OSD, service headquarters, commands, and the activities themselves.

OSD and the services have developed limited or unclear guidance on how the ACP should be managed. Some commands and activities are still operating under draft guidance and instructions. Other commands developed guidance that was not approved until several years after the program began. For example, naval ordnance and weapon stations are still operating under draft guidance from its parent Naval Sea Systems Command. The Command, however, has implemented formal guidance for its shipyard activities, although the guidance was not approved until May 1987, 4-1/2 years after the

ACP began.

According to an OSD official who has been associated with the ACP since its inception, one factor contributing to inadequate program guidance has been unclear organizational responsibilities. The official stated that a typical DOD program is run by a functional manager at the OSD level who provides overall program guidance, direction, and oversight which logically would be placed under the Assistant Secretary of Defense (Acquisition and Logistics). Currently, OSD has no functional manager for the ACP. Instead, OSD (Comptroller) staff handle program management responsibilities and view their role as a financial advisor to functional program managers. The OSD staff has generally only provided budget and accounting guidance for the program and collected and reviewed ACP financial data.

The OSD official also stated that OSD staff could not provide effective program oversight because of the limited data on the ACP program currently available at the OSD level. For example, OSD does not collect information on (1) the type and quantity of equipment purchased under the ACP and (2) how many equipment buys are service- or command-directed versus activity-directed.

The activities also have unclear organizational responsibilities. No central ACP office or coordinator was responsible for managing and overseeing all equipment, minor construction, and management information system development projects. The ACP coordinators were generally concerned with equipment only. For example, the Norfolk Naval Shipyard program coordinator was only responsible for managing nonautomated data processing equipment. However, the individual's responsibilities included ensuring that budgetary limits were not exceeded on all ACP purchases. According to the coordinator, he could not execute his responsibilities since he had no control over funds spent for data processing equipment.

Although the ACP has increased the level of funding for equipment, the personnel assigned responsibility at each command for executing the program was not commensurate with those funding levels. The Naval Sea Systems Command, Ordnance and Ships, and Air Force Logistics Command ACP coordinators had many other collateral duties. As a result, the ACP had not received adequate attention. For example, the Naval Sea Systems Command's ACP coordinator had other responsibilities corollary to the ACP responsibilities. The coordinator was the only staff responsible for monitoring the activities program execution, yet the coordinator did not visit the activities to determine how the program was progressing or whether funds were being spent in the most efficient manner. The coordinator did not make the visits because of other responsibilities and limited travel funds. In February 1989, we were informed that the Command had assigned a full time coordinator to the program.

Lack of a Systematic Approach To Identifying Investment Opportunities

The process of identifying investment opportunities is one of the most important aspects of a successful capital investment management program. A systematic approach to search for and identify investment opportunities can go beyond the routine replacement of worn-out equipment and result in the redesign of an entire work process. Comprehensive planning can identify ways that capital improvements can eliminate current bottlenecks in workflow and achieve significant gains in productivity and turnaround times. However, such planning was not occurring. For example, according to a February 1988 Logistics Management Institute report,[4] the services' maintenance depots did not evaluate projects by considering their interactions with one another and simply replaced old equipment with new equipment of the same type. The report concluded that:

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[4] David Glass and Lawrence Schwartz, Depot Maintenance Modernization, Logistics Management Institute (Bethesda, Md.: Feb. 1988).

> "The depots do not have a technological direction for modernization and, therefore, their capital-investment decisions are made on a case-by-case basis. As a result, opportunities for major improvements may be missed."

Furthermore, the activities did not always purchase equipment consistent with the needs identified in their long-range strategic plans. We found that 12 of 28 ACP projects were not in the activities strategic plans. Only 3 of 10 ACP projects (30 percent) were in the Sacramento Air Logistics Center's fiscal year 1986 strategic plan, and 9 of 18 (50 percent) ACP projects were in the Yorktown Weapons Station's fiscal year 1986 strategic plan.

Other audit organizations reported similar findings. For example:

-- Preliminary Army Audit Agency findings of capital equipment purchases at four Army depots showed that of 388 ACP projects funded for fiscal years 1987 and 1988, which were valued at about $43 million, 200 (52 percent) were not in the activities' strategic plans. At one depot, the agency found that only one of 46 projects were in the plan.

Procedures To Justify, Review, and Approve Projects Not Always Followed

A good investment strategy includes standard procedures for justifying, reviewing, and approving proposed investments. This strategy helps to ensure that capital resources are used on those projects with the greatest potential benefits. The OSD memorandum to the services requires that project justifications be adequately documented and include justification and economic analyses to ensure that a post-investment analysis and audit can be performed. According to OSD guidance, care should be taken to ensure that equipment that is bought for economic reasons should provide the greatest return on investment through increased productivity and reduced costs, and activities should be prepared to provide evidence of both proposed and actual benefits. For equipment that is purchased for noneconomic reasons, adequate justifications need to be prepared. Our work and recent Army Audit Agency, Air Force Audit Agency, and Naval Audit Service reviews found that compliance with existing procedures needs to be improved.

For example, for 106 projects we reviewed valued at about $83 million, there was no evidence that 11 projects had ever been justified. For the remaining 95 projects, 39 justifications, or 41 percent, were inadequate for such reasons as use of incorrect work load projections and equipment costs and inadequate alternatives to purchasing equipment. The following illustrates some of the problems we and others found.

-- The Yorktown Naval Weapons Station did not consider the alternative of refurbishing existing equipment before buying a new crane valued at about $197,000. Yorktown officials said that it would have cost about $30,000 to refurbish the old crane. Yorktown officials commented that current Navy criteria allows for the replacement of the crane after 10 years. Therefore, they did not consider any alternative other than buying new components.

-- According to preliminary Army Audit Agency findings, Army depots did not prepare economic analyses for 289 of 411 equipment projects reviewed for fiscal years 1986 to 1989 valued at $43 million. The depots exempted the 289 projects from economic analysis because the Depot System Command had issued guidance that conflicted with Army regulations requiring such analyses.

When the analyses were prepared, the depots seldom addressed alternatives to purchasing new equipment. The Audit Agency concluded that, as a result, the depots incurred unnecessary costs buying equipment rather than repairing or rehabilitating existing equipment.

In the area of command level review of projects, we found that commands and activities routinely approved projects without adequately reviewing the projects' justifications. At 3 commands, we reviewed 31 project justifications that met the criteria for command review. The command reviews were limited and projects were approved on a perfunctory basis. Proposals were rarely disapproved or challenged, even when justifications contained incorrect economic analyses. For example, based on our review of eight shipyard projects valued at about $2.5 million that required workload verification, we found that the Naval Sea Systems Command did not verify whether the justifications contained current work load data for four of the eight projects valued at about $1.4 million. The Command is now requiring shipyard comptrollers to certify the accuracy of project justifications and plans to periodically visit the shipyards to review the comptrollers' work.

Implementation of Approved Projects

To obtain benefits as early as possible, the activities need to have well planned and timely project implementation. However, we found significant time lapses between the time equipment for a project was received and when it was either installed or became operational. We examined 106 ACP projects--some of which contained several pieces of equipment--valued at $43.3 million to determine their implementation status. Of these projects, 10 should have been operational, but were not. An additional two projects were not fully operational. For example, the Norfolk Naval Shipyard received a plate roll machine valued at about $273,000 in June

1987. It did not install the machine until April 1988, and had not started operating it as of September 1988. According to Norfolk officials, the reasons for the delay were (1) a lack of a proper oil to operate the machine, (2) electrical code violations that needed to be corrected, and (3) a lack of adequately trained machine operators.

In addition, the activities had received other equipment for ACP projects that should also have been installed, but was not due to various problems. For example, the Ogden Air Logistics Center received a $300,000 chromatograph mass spectrometer in July 1987 to measure the contents of aged propellant fuel. The Center stored the spectrometer in an empty building that was to be remodeled to house the equipment. At the time of our visit--about 13 months after the item was received--the building had not been remodeled and the spectrometer had not been installed or utilized. The manufacturer's warranty had expired.

Program Benefits Are Generally Not Measured

An effective capital investment program contains a mechanism for analyzing the success or failure of investment projects and for collecting data so that management can make better investment decisions in the future. OSD has not issued a formal requirement for the services to perform post-investment analyses. OSD guidance only states that records must be maintained so that a post-investment analysis can be performed.

We found that Navy activities had not performed any post-investment analyses because they were not required. Air Force activities had not performed any prior to 1987 because they viewed them as manpower intensive and of questionable benefit. Army activities had performed post-investment analyses that showed many project benefits were overstated primarily because of optimistic work load projections. As a result, neither OSD nor the services know in total what benefits the ACP has produced.

We reviewed 82 projects valued at about $40 million at the seven activities to determine whether anticipated results had been achieved. We found that 27 projects valued at about $30 million did not achieve anticipated results. For example, the Watervliet Arsenal purchased three bed mills in fiscal year 1985 for about $1.4 million. Watervliet estimated that the bed mills would achieve benefits of about $271,000. The post-investment analysis performed by the Arsenal for the period July 1, 1986, through June 30, 1987, showed that actual benefits were about $199,000, or $72,000 less than estimated. The lower benefits were due to differences between estimated work load projections and actual use of the equipment.

The Army Audit Agency made similar observations regarding projects not achieving expected results. The Agency found that the Army had estimated the benefits for 26 projects at $5.2 million, although the projects had achieved only $2.8 million, or 54 percent, of the expected benefits. The benefits were less than expected primarily because actual work loads were less than estimated. Other reasons were attributed to calculation errors in the cost factors of the project justification.

DOD concurred with our findings that the program was not yet a sound capital investment program. To improve program management it plans to centralize overall program guidance and oversight within the Office of the Assistant Secretary of Defense (Production and Logistics) and issue guidance by the end of December 1989 requiring post-investment analyses on projects. Furthermore, each of the services plans to emphasize to its respective commands and activities the need to comply with existing guidance to ensure that capital investments are consistent with the activities' strategic plans, projects are implemented in a timely manner, and post-investment analyses are being performed. In addition, the services plan to assign more personnel to the program to ensure that guidance is followed and that proper review and analysis is conducted.

INTERNAL CONTROLS NEED TO BE STRENGTHENED

Effective internal controls help managers comply with applicable laws and policies, safeguard assets, and accurately account for revenues and expenditures. Effective internal control systems also provide management with reliable feedback to help ensure that program goals and objectives are met. Because control techniques for the ACP were not followed in some cases, we found that depreciation and property records and project files were inaccurate and inadequate.

For example, we found that at six of the seven activities we reviewed, each had several ACP projects that were either not depreciated or depreciated inaccurately. We found 21 projects costing $16.1 million that were not being depreciated primarily because officials failed to record the items on the depreciation records. In most cases, the equipment had been used for several months.

We also found 41 projects costing $10.3 million that were depreciated inaccurately because (1) projects were depreciated at incorrect values or (2) depreciation expenses were recorded late. As a result, the rates charged by the activities to their customers were incorrect (overstated or understated). Other audit organizations found similar problems with depreciating equipment. For example, the Air Force Logistics Command's Inspector General reported in March 1988 that equipment at the Sacramento Air Logistics Center costing over $33 million had not been depreciated.

In two cases, depreciation started before the equipment was installed. Also, more than 40 items had been fully depreciated, even though they had a substantial service life left. According to the Inspector General's report, the depreciation problems were caused primarily by untimely recording of equipment purchases in the depreciation records.

We also found that three activities' inventory or property control records did not include several equipment items in our sample. Some of these items had been used for some time. For example, the Red River Army Depot property records did not contain information on $9.5 million of equipment purchased as part of a contract for a new light armored vehicle maintenance facility. According to Depot officials, the Corps of Engineers was responsible for contracting out for the construction of the facility and the procurement of equipment. However, the officials said that the Corps never provided it with listings of the equipment and they did not followup to find out what the Corps had purchased. After our review, Red River obtained the equipment listings, verified that the equipment was purchased, and began recording the items on its property records.

DOD concurred with our findings on internal control weaknesses. It said that each of the services plans to review and revise, as necessary, their directives to (1) ensure compliance with existing internal control procedures and (2) verify that actual costs of equipment are recorded on depreciation and property records. The services also plan to ensure that internal control procedures are being followed.

OTHER FACTORS AFFECTING PROGRAM EXECUTION

Under the original ACP concept, the activities were to implement their programs since they would best be able to determine their modernization needs and focus program funds on those projects that contribute most significantly toward fulfilling its missions. Since the program's inception, however, two factors--nondiscretionary service- and command-directed purchases, and budgeting based on obligation rates--have affected the activities' abilities to execute the program in a manner consistent with OSD's original intent.

Nondiscretionary Purchases

Nondiscretionary purchases--projects directed by service commands or headquarters--have limited the activities' buying power. The amount of nondiscretionary obligations at the seven activities we visited increased from about $3.5 million in fiscal year 1983 to about $23.2 million in fiscal year 1987.

These figures are conservative because we found projects that had not been reported, and others where the values of the projects had been understated. For example, the Mare Island Shipyard was directed to purchase a security system that increased from approximately $278,000 to about $529,000, yet the project was listed at its originally estimated cost.

Officials at the Red River Army Depot, Mare Island Naval Shipyard, and Sacramento Air Logistics Center indicated that their discretionary buying power has been affected by the increasing number of nondiscretionary projects that receive higher funding priority and congressionally mandated budget reductions. They expect their discretionary funding to continue to decline. For example, the Mare Island Naval Shipyard used about $25 million of $88 million, or about 28 percent, for nondiscretionary items between fiscal years 1983 and 1987. Two projects (special hull treatment enclosures for submarines and nuclear refueling equipment) comprised about $19 million, or 76 percent, of the total nondiscretionary purchases. According to the ACP coordinator, as a result of nondiscretionary purchases, the amount of ACP funds for machine tool purchases had decreased from about 60 to 20 percent. The situation at Mare Island is expected to continue. For fiscal years 1988 through 1992, the Shipyard expects that about $22.7 million, or 32 percent, of its ACP budget will be for nondiscretionary purchases, including a $3.3 million production management information system.

Information we obtained from the Naval Air Systems Command in response to our April 1988 report further illustrates the impact of nondiscretionary purchases. Command officials stated that increasing requirements for information systems such as the Rapid Acquisition of Manufactured Parts, Computer Aided Design 2, and Engineering Data Management Information and Control Systems raise questions as to the adequacy of ACP funding levels. According to these officials, projected depot funding levels for fiscal years 1989 and beyond are insufficient to support both the management information system requirements and plant equipment investment requirements developed by the depots. They suggested that either additional ACP funds be made available or consideration be given to fund information system requirements from sources other than the ACP.

Budgeting Based on Obligation Rates

According to OSD officials, activities are to request ACP funds only for the amounts that can be obligated in the budget execution year. The commands' obligation rates are one determinant of the appropriateness of their ACP budget allocation. The services perceived this to mean that they were to obligate their ACP funds within the budget execution year or lose them and communicated this to their respective commands and activities.

The services reduced the budgets for the commands and activities we visited by about $30.9 million between fiscal years 1986 and 1988 based on prior obligation rates. For example, the Army Audit Agency reported that the Army reduced the Depot System Command's budget authority by $13.7 million and $12 million in fiscal years 1987 and 1988, respectively, because the Command had not met its obligation goals. The Army Audit Agency data showed that only 53 percent of the Command's fiscal year 1988 budget authority had been obligated by March 31, 1988, when the Command wanted to have 75 percent obligated by that date.

As we reported in April 198[5], the Navy did not have its budget reduced due to low obligation rates because it reported commitments rather than obligations. For example, at the end of fiscal year 1987, the Norfolk Naval Shipyard reported that 99 percent of its $47 million budget authority had been obligated when only 3 percent was actually obligated.

To avoid losing funds, some activities substituted lower priority items for higher priority items because they were readily available from commercial sources. For example, in fiscal year 1986, the Red River Army Depot had about $1.1 million that became available for obligation in August 1986 because it cancelled a project. With 2 months remaining in the fiscal year, Red River purchased lower priority items, such as modular furniture, for about $17,000 in lieu of higher priority items, such as a shearing machine, a robotic welder, and a grinder. The Depot did not have sufficient time remaining in the fiscal year to contract for these items.

PROGRAM OVERSIGHT

A significant amount of ACP funds were associated with several nondiscretionary projects. However, key congressional committees have limited visibility over the amount of funds directed toward these purchases.

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[5] Navy Maintenance: Naval Aviation Depots' Asset Capitalization Program Needs Improvement (GAO/NSIAD-88-134, Apr. 28, 1988).

The Congress recently became concerned about the information it receives on ACP purchases. In October 1987, the House Committee on Appropriations directed OSD to provide, beginning with its fiscal years 1988 and 1989 biennial budget estimates, annual budget exhibits showing how ACP funds are used, particularly for large dollar volume items in excess of $1 million.

In accordance with the guidance, the exhibits only cover the fiscal years 1987 and estimated 1988 and 1989 time period. The exhibits do not provide the total cost of a project through its completion. This information may be useful to the Congress in deciding the impact of the item's procurement on the ACP and the industrially funded activities. For example, Air Force exhibits show that the cost of its Depot Maintenance Management Information System is about $51 million for fiscal years 1987 through 1989. Air Force data show that the total cost of this system through fiscal year 1999 is expected to exceed $275 million.

We believe that DOD could, with minimum effort, include total project costs in the ACP exhibits that are provided to your Committee as part of DOD's annual budget submissions.

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In summary, Mr. Chairman, we believe the ACP offers great potential for Defense activities to modernize their repair and manufacturing operations. There are a number of management problems, however, that need to be corrected for the ACP to achieve this objective in a cost-effective manner.

-- OSD has not provided comprehensive guidance for what can be purchased with program funds and existing guidance does not specifically identify OSD's intent for program execution.

-- The services have not adequately implemented the elements of a sound capital investment management program--including providing adequate management support; well-defined program criteria for justifying, reviewing, and approving projects; and post-investment analyses.

-- The services lacked or failed to follow internal control procedures designed to accurately account for and safeguard capital equipment.

DOD has informed us that it has plans to correct the problems we identified. We believe that these actions, if properly implemented, will improve the management of the program and provide the focus and direction needed to achieve the objectives for which the program was intended.

This concludes my prepared statement. I would be pleased to respond to any questions you may have.

Senator LEVIN. Thank you, Mr. Rodrigues.

LACK OF MANAGEMENT CONTROLS AND GUIDANCE

See if the overall impression that I draw from your testimony is correct. You think that the program is important, should be continued, but that right now the lack of management controls and guidance are creating a situation where the services are sometimes careless in using the money which is made available through this program?

Mr. RODRIGUES. I think your characterization is right on the mark. We just see that the management structure needed to assure that the guidance is out there is lacking, that strategic plans are inadequately developed and followed, and that there is insufficient monitoring to make sure that everything is in line with those plans.

Senator LEVIN. The Defense Department has looked at your report, I believe, is that correct?

Mr. RODRIGUES. Yes, it is.

Senator LEVIN. And have they disagreed with any of your conclusions or recommendations?

Mr. RODRIGUES. With the items that I covered in the testimony today, they are basically in agreement and they have indicated that they will be taking action. There were a couple of items in the draft report that you referred to where they did not.

For example, they did not particularly agree with our suggestion that in order to improve congressional visibility over the ACP program funds, the current means of reporting program purchases should include the total cost of projects through their completion. They felt that since they were reporting similar information to other committees, implementation of our suggestion would provide few additional benefits.

Our problem with that is the reports to the other committees do not tie back to the ACP funding and we think it needs to be there so you can see the long-term effect of some of these commitments that they are making at this time for equipment that does not always directly support the operations of repair or manufacturing shops.

Senator LEVIN. Is that a major problem for them to do that?

Mr. RODRIGUES. No, it is not. They are reporting it already elsewhere.

Senator LEVIN. The same form? Are they reporting it in the same format?

Mr. RODRIGUES. Well, they are reporting for some items, total program costs over the duration of the program elsewhere. So it would just be a matter of rolling it into the ACP report as far as we can tell.

Senator LEVIN. Do we have a copy of their response to your report?

Mr. RODRIGUES. We have not received a formal response at this point. We have had an oral exit with them on it.

Senator LEVIN. Could you give us for the record the specific response that they have given you to any of the recommendations that you have made?

Mr. RODRIGUES. Yes. Our report should be out within the next 6 weeks, and that will be in there.

Senator LEVIN. Even though it is oral?

Mr. RODRIGUES. Sure.

Senator LEVIN. Okay, that is fine.

And that includes their response to your recommended legislative changes?

Mr. RODRIGUES. Yes.

Senator LEVIN. One of the recommendations is that there be a functional manager with oversight responsibility for this program in the Defense Department. And I think that you indicated in your statement that the Office of the Secretary of Defense is finally assigning a functional manager to oversee the program.

Was that a direct result of your investigation?

Mr. RODRIGUES. Yes. They did not have any plans at the time that we began our work, at least nothing in the works. They were not doing anything in this area. And they are taking steps now to correct that.

I think they are sincere in it. As you are aware, we had done a report last year on naval air depots prior to doing this broader review, and NavAir has taken a number of steps to correct some of the same kinds of deficiencies that were noted here in this review.

And our understanding from the visits to the commands is that those commands are now in contact with NavAir to find out the steps that they have taken to improve their management of the program.

Senator LEVIN. Okay. And have they appointed that manager or assigned that manager yet?

Mr. JAHNIGEN. Although they have made no official announcement at this time, they have tentatively decided that the position is going to be in the Maintenance Policy Directorate of the Office of the Secretary of Defense (Production and Logistics).

Senator LEVIN. When you give us your report—you said in a couple months you are going to be issuing your report.

Mr. RODRIGUES. Yes.

Senator LEVIN. Would you include the status of that assignment?

Mr. RODRIGUES. Yes.

Senator LEVIN. And I have a few more, but let me turn it over now to Senator Thurmond.

Senator THURMOND. Thank you, Mr. Chairman.

Mr. Rodrigues, I want to congratulate you on your excellent report. It appears to be very thorough and provide good details.

ASSET CAPITALIZATION PROGRAM

I believe you identified numerous areas in which the services did not follow the requirements of the asset capitalization program. What is the total dollar amount you identified as having been spent on projects not in compliance with the asset capitalization program?

Mr. RODRIGUES. Senator, one of the problems we have is that the Department does not have the systems in place that would provide us with the information needed to be able to make that kind of determination. This lack of overall information is one of the major problems we have with the management of the program.

There just is not that kind of visibility.

Senator THURMOND. Mr. Rodrigues, the service representatives have admitted that there are problems and that they are taking corrective actions. They also indicated they want the ACP program to continue; they need the funds for plant modernization.

Do you believe that the ACP program has been or will shortly be corrected to the point that the Congress will not have to terminate or hold up ACP actions?

Mr. RODRIGUES. Senator, we do believe that the ACP program is needed to continue to modernize plant and equipment. And we believe that, if the DOD takes the actions that they have at least preliminarily indicated that they would take, the program would become more focused on the objectives that were originally set out for it.

There is still a lot to be done out there. The services have not accomplished all that they should have accomplished with the amount of funds that have been obligated to the program. Our concern is that there appears to have been a shift away from emphasizing equipment purchases that directly support repair or manufacturing operations to equipment purchases that only indirectly support these operations. As a result of this shift in emphasis, there is still a backlog of industrial plant equipment that is needed to modernize the depots.

Senator THURMOND. Mr. Rodrigues, given the findings of the GAO on the ACP program and the planned corrective actions by the DOD and the individual services, do you recommend any changes in the legislative guidance to the Department of Defense?

Mr. RODRIGUES. At this point, I guess we would recommend that the program authorization be limited to depreciation charges until such time as there is some evidence that the Department has taken the steps to begin to fully correct the problems that we have noted here and to focus the program on its primary intent, which is to buy equipment that directly supports the activities' primary missions.

Senator THURMOND. Thank you. We are glad to have you with us.

Mr. Chairman, that is all I have.

Senator LEVIN. Thank you, Senator Thurmond.

DISCRETIONARY VERSUS NONDISCRETIONARY PURCHASES

One of the references you made in your statement, on page 12, was to a shipyard which bought vehicles which the officials of the shipyard according to you knew was an improper ACP expenditure. Now, what follows from that? You mean literally shipyard officials here knew that they were spending money for an improper purpose?

Mr. RODRIGUES. Yes, sir.

Senator LEVIN. Did it anyway, and with what penalty?

Mr. RODRIGUES. There is not any penalty. Their position is that——

Senator LEVIN. Are these employees of the Government?

Mr. RODRIGUES. Yes, they are.

Senator LEVIN. Well, you use the word "improper" and "knowingly." You know, those are pretty strong words to me. Everyone makes mistakes, but you are imputing knowledge or you are saying that they knew.

Mr. RODRIGUES. They acknowledged the fact that they knew they were doing that. Their position was that they had no alternative because they had no alternative funding source to meet that requirement, and they had to provide vehicles for these tenant activities, so they did so.

Senator LEVIN. Well, is that a proper thing for a Government employee to do?

Mr. RODRIGUES. I do not believe so.

Senator LEVIN. Well then, should not somebody take some kind of corrective action? I mean, if we are going to have people out there spending money to meet needs because they cannot be met in some other way, then we might as well just forget legislating, I think.

I mean, it just seems all so casual to me.

Mr. **Rodrigues**. That is not a legislative requirement. That is a program requirement. Implementing regulations would have required them——

Senator **Levin**. It was in violation of a regulation of DOD?

Mr. **Rodrigues**. Yes.

Senator **Levin**. The regulation of DOD is law, is it not? Does that not have the force of law?

Mr. **Jahnigen**. It is like administrative law.

Senator **Levin**. Is it published?

Mr. **Jahnigen**. It is published, yes. It was part of the original 1983 Carlucci initiatives which described the program, what they could and could not do. In this particular instance, they just did not follow their own regulations.

Senator **Levin**. Is this common?

Mr. **Jahnigen**. We found a number of other instances where they did exactly the same thing.

Senator **Levin**. Is it more common in this program than other programs?

Mr. **Jahnigen**. That is a very difficult assessment to make.

Senator **Levin**. Would you find out for us in the instances that you found in this particular program whether or not these expenditures were approved by these people's superiors?

Mr. **Rodrigues**. Sure.

Senator **Levin**. Just let us know that for starters. Those just jump off the page to me. Knowledge of an improper expenditure, that used to be serious stuff where I came from.

You mentioned, you used the words "nondiscretionary purchase." What does that mean?

Mr. **Rodrigues**. The service or the command has directed that the activities buy the items that they want bought.

Senator **Levin**. Nondiscretionary, does that mean that it was unauthorized?

Mr. **Rodrigues**. No, it is not at the discretion of the activity. They were directed to have to spend their ACP funds to buy these items, so they do not have any discretion in the use of those funds.

They are supposed to have discretion over the use of the ACP funds.

Senator **Levin**. All right, so a nondiscretionary purchase is a proper purchase?

Mr. **Rodrigues**. It is proper in the context of the law, yes.

Senator **Levin**. But it is just one that was mandated——

Mr. **Rodrigues**. Yes, sir.

Senator **Levin** [continuing]. Instead of where there was some discretion, okay. And is that a problem, that someone is mandating too much and there is not enough discretion in these?

Mr. **Rodrigues**. From the activities' viewpoint, yes, sir, it is.

Senator **Levin**. From your viewpoint?

Mr. **Rodrigues**. From our viewpoint, to the degree that those nondiscretionary purchases are forcing them to buy items that do not directly contribute to modernizing equipment that is directly involved in the manufacturing process, yes, sir.

Senator **Levin**. Well, but you are also saying that to the extent then they are not within the purpose of the program.

Mr. **Rodrigues**. It is not outside the purpose of the program. The question is what is the primary purpose. And the primary purpose is to purchase plant equipment that directly supports the activities' primary missions.

Senator **Levin**. So it is within the purpose, but it is just not the principal purpose?

Mr. **Rodrigues**. Yes, sir. They are not precluded from spending money on these activities. It is the degree to which they spend money on non-direct equipment versus direct equipment.

Senator **Levin**. You also during the testimony said that in one place they purchased some equipment which was of low priority. I think it was furniture. It is hard to believe, coming from a furniture State, that buying furniture could ever be a low priority.

But at least in your judgment this was of lower priority, and they bought it instead of, I believe you said, some machines, machinery which was more needed, shearing machinery I think you said?

Mr. **Rodrigues**. Yes.

Senator **Levin**. Now, some years ago Senator Cohen and I got into the issue of hurry-up spending and we tightened some laws on this. Are you familiar with the requirement, with the law that both prohibits last minute spending in the last quarter and requires certain disclosure where spending is made in the last quarter of a fiscal year?

Mr. **Rodrigues**. Vaguely, yes. I do not believe they are in violation of that.

Senator **Levin**. These are folks, they just readily acknowledge, we bought some lower priority stuff because otherwise we would have lost the money?

Mr. **Rodrigues**. Yes. We found that the activities just went down their priority lists and bought alternative items.

Senator **Levin**. Staff is saying they would not have lost the money.

Mr. **Rodrigues**. Well, the commands would not have. The funds could have been redistributed within the commands. The ACP funds are all over. But the way they manage it within a command is at the activity level. If the activities do not spend their money, the command takes it away from them. So there is an incentive there for the commands to spend these funds rather than lose them.

We would like to see a better management structure that would assure that there is nothing wrong with taking money and having it obligated at the end of the year to meet a requirement, but at the command level you should make sure that that expenditure is in line with your best needs, not just people spending the money.

Senator **Levin**. So that there was a constraint here which was placed basically on them by the command?

Mr. **Rodrigues**. Yes.

Senator **Levin**. The command would not lose the money. It would be the activity which might have lost the money?

Mr. **Rodrigues**. Yes, sir.

Senator **Levin**. Well, we had better revisit our "use it or lose it" law of 1983, or whatever it was, our hurry-up spending law.

Mr. **Rodrigues**. Well, the concern that we have is that the services have to do a better strategic planning job. There should be no reason why they cannot obligate those funds in line with their plans, if the plans are developed and implemented properly.

Senator **Levin**. Yes.

Mr. **Rodrigues**. And you just do not find that in this whole program, and that is one of the things that is missing.

Mr. **Jahnigen**. I might add that the Naval Air Systems Command is just going through an exercise like that. The command has found that with proper up-front planning, 12 to 18 months in advance, they should be able to obligate all their money without difficulty.

Senator **Levin**. You do not have any particular level of funding for discretionary versus nondiscretionary purchases which you would think is ideal, do you, or some kind of a norm? You said it fell from 60 to 20 percent. Do you have any idea as to what a proper percentage would be?

Mr. **Rodrigues**. We are mixing a couple of things here. Nondiscretionary purchases that would be directed at plant equipment that affects a direct operation or that was in line with the plans of the activities would not of themselves be bad.

The problem with the nondiscretionary ones that we are looking at or we have seen is they tend to be for items that do not necessarily fall on the production floor.

Senator **Levin**. So it is not so much the dropping from 60 to 20. It is what it is being spent on.

Mr. **Rodrigues**. It is what it is, what the equipment is.

Senator **Levin**. Regardless of what those percentages are?

Mr. **Rodrigues**. Right.

Senator **Levin**. So that is not really the point.

Mr. **Rodrigues**. But the point is, the focus of the program should be as it was originally intended, that is for the equipment that affects the production floor.

Senator **Levin**. We thank you both. Your review is obviously causing some changes in the Defense Department and could help us with some legislative changes, and your recommendations, and we are appreciative to both of you.

Mr. **Rodrigues**. Thank you, Senator.

Senator **Levin**. We will stand adjourned.

[Questions for the record with answers supplied follow:]

Questions Submitted by Senator Alan J. Dixon

ASSET CAPITALIZATION PROGRAM

Senator **Dixon**. Later this morning the subcommittee will hear the results of the General Accounting Office's review of the Asset Capitalization Program. I believe each of you has had an opportunity to review GAO's work. Would you care to comment on GAO's conclusions and recommendations?

General **Wagner**. Some of the GAO criticisms of the Asset Capitalization Program hinge on purchase of other than direct production equipment. We understand the basis of this concern, but the program remains the only source of funding for indirect and overhead types of equipment which meet the $5,000 threshold for purchases. (The threshold was previously $1,000). As long as the industrial fund concept exists, these will remain as valid costs of doing business. Most of GAO's conclusions and recommendations however point out the need for more intensive management of the program on our part. We have established Asset Capitalization Program councils to review all proposed purchases at depot and major subordinate command level and will place greater emphasis on economic analysis and post investment analysis.

Senator DIXON. GAO indicates that approximately $5 billion has been spent in the Asset Capitalization Program over the last 6 years. Can each of you indicate how much has been spent in your service, and what percent of the total has been spent on industrial plant equipment?

General WAGNER. A summary of Asset Capitalization Program expenditures and the percentage of those expenditures used for industrial plant equipment is as follows:

[Dollars in millions]

	Fiscal year—					
	1983	1984	1985	1986	1987	1988
Obligations	$66.4	$75.7	$86.3	$211.0	$85.7	$103.1
Industrial plant equipment (percent)	53	87	74	70	54	65

Senator DIXON. General Wagner, GAO found one Army installation that used Asset Capitalization funds to purchase modular office furniture instead of industrial plant equipment because the end of the fiscal year was approaching and it was easier to get the modular office furniture on contract.

Asset Capitalization funds do not expire for obligation at the end of the fiscal year. Why was there this rush to use the money as the fiscal year ended?

General WAGNER. One of the primary purposes for establishment of the industrial funds was to provide an effective means for controlling the cost of goods and services produced or performed. The Asset Capitalization Program allows the Army's depots and arsenals to purchase capital assets required for efficient operation and recoup the cost through depreciation chargeable to the customers. ACP obligation authority is a limit on the authority of commanders to make management decisions on capital equipment purchases.

Just as in private industry, not all capital assets are used directly in production. Valid needs exist for overhead type functions such as management, and facilities maintenance and indirect functions such as equipment maintenance and laboratory operations.

The modular furniture mentioned in the GAO report was a valid Asset Capitalization Program purchase, and the cost of that purchase is appropriately being charged to the customers. While requirements for office furniture and fixtures consistently are given lower priority within the depots and arsenals for the same reason the GAO questioned the purchase, there comes a point when replacement is necessary.

We are aware that Asset Capitalization Program obligation authority does not expire at the end of the fiscal year. However, requirements for capital assets far exceed obligation authority each year. The obligation authority limit on the Asset Capitalization Program dictates that purchase of needed capital assets be delayed until obligation authority is available. When a purchase planned for current year obligation authority is delayed past the end of the fiscal year, we normally take a look at other current year requirements which had been deferred to the succeeding fiscal year. The end result is this; delay of a higher priority requirement allows a deferred requirement to bump ahead in line for contracting. This practice does not cause us to purchase items we do not need.

Senator DIXON. How much do each of you expect to spend on the Asset Capitalization Program in fiscal years 1990 and 1991?

Can you give us some idea of the key projects that will be funded over the next 2 fiscal years?

General WAGNER. We plan to spend $56.6 million each year on the program for fiscal years 1990 and 1991, the budgeted limit.

Primary projects planned for the Asset Capitalization Program during those years are as follows:

[In millions of dollars]

	Fiscal year—	
	1990	1991
After-burner system		1.7
Ladle injection system	1.0	
Titanium nitride system	1.4	
Major ADP systems	4.0	
Consolidated maintenance project	15.6	
Intermediate forward test equipment	1.4	
Commercial equivalent equipment	3.2	1.7
Router CNC and water jet system	1.4	
Equipment under $1 million (replacement of aged and worn equipment)	26.2	49.9
Other management information systems under $1 million (enhance management of the shop floor and enhance reporting and data collection)	1.3	2.0
Minor construction/rehab (modernize, repair or rehabilitate buildings requiring attention)	1.1	1.3

READINESS VERSUS SUSTAINABILITY

Senator DIXON. In the event that we can find ways to increase readiness and sustainability funding in fiscal year 1990, what would be your highest priority programs for such an increase?

General WAGNER. In the event that fiscal year 1990 funding is increased to support our readiness and sustainability posture, the highest priority programs within AMC would be:

Operations and maintenance:	*Millions*
Shipping and receiving	$35
Industrial preparedness	57
Ammunition demilitarization	35
Environmental issues	88
Area oriented depot modernization	19
Automation effort	40
Base operations support	44
BMAR	52
Depot maintenance	95
Maintenance support activities	84
Asset capitalization program obligation authority	11
Army stock fund war reserve	1,500
PA-2 war reserve	1,320

Senator DIXON. Last year, each of you indicated that you thought the amended fiscal year 1989 budget protected near-term readiness at the expense of sustainability.

Would you say that the Department has adopted the same strategy again this year?

General WAGNER. Yes, the Department has adopted the same strategy again this year.

Senator DIXON. Given the funding projections for the outyears, how long can we afford to continue this policy of protecting readiness and cutting back on sustainability?

General WAGNER. The Army does not have a macro "sustainability policy" as is alluded to in your question. However, we estimate that within 2 to 3 years, we will begin to see the impact of today's reductions. In the interim, as the eaches of the various functions are deferred, (Industrial Preparedness Operations, Ammunition Demilitarization, Depot Maintenance Backlog, etc.) we will reach a point where the impact becomes totally unacceptable. As we approach this point, these functions/programs will move to the top of Army's resource priority list.

CIVILIAN PERSONNEL FUNDING

Senator DIXON. Last, year all of you indicated that some sort of furloughs of civilian employees might be necessary to live within your fiscal year 1989 funding.

Do any of you expect any furloughs or reductions in force this year or next year?

General **Wagner**. For fiscal year 1989, we do not expect any furloughs or reductions in force. AMC will manage the civilian work force within the fiscal year 1989 authorized levels. For fiscal year 1990, however we are not certain at this time what the impact to the AMC civilian work force will be. We are awaiting final decision from the National Security Review Council (NSR-11), which is expected in the mid-June timeframe.

MILITARY CONSTRUCTION

Senator **Dixon**. Would each of you please give us your three highest military construction projects for fiscal year 1990?

General **Wagner**. The three highest priority Army Materiel Command projects are:

Yuma Proving Ground, Arizona—Air Cargo Test Preparation Complex, $11,400,000.

Fort Monmouth, New Jersey—Improve Electric Distribution, $8,600,000.

Redstone Arsenal, Alabama—Laboratory Facility Addition, $17,500,000.

The Red River Army Depot, Texas $39,000,000 investment for the Central Distribution Center is not listed here only because it is a carryover increment from the project approved and authorized in the fiscal year 1989 program. The final increment, also for $39,000,000 will follow in fiscal year 1991.

ASSET CAPITALIZATION PROGRAM NO. 1

Senator **Dixon**. Later this morning the subcommittee will hear the results of the General Accounting Office's review of the Asset Capitalization Program (ACP).

I believe each of you has had an opportunity to review GAO's work. Would you care to comment on GAO's conclusions and recommendations?

GAO Chapter 2, Conclusion: The ACP needs clear focus and direction. OSD has not clearly told the services that ACP funds should be used to buy equipment that contributes significantly to fulfilling the activities' missions. In case of DOD industrial activities, this meant that the activities should have primarily purchased plant equipment that significantly supported the operation of their repair and manufacturing shops.

General **Hansen**. Concur. While there are undoubtedly areas that could benefit from more specific guidance, the basic principle that the ACP is the tool by which we maintain and modernize depot assets with a view toward increasing our productivity and efficiency, is simple and clear. In that regard, the conclusion that purchase of other than industrial type equipment, such as management information systems, is faulty. Current ACP guidance does provide for purchase of these computer systems and it should. These systems, in fact, afford the opportunity to achieve large gains in productivity across our entire process and hence net financial and manpower savings that benefit our entire operation as well as the Air Force.

GAO Chapter 2, Conclusion: While much of the equipment purchased between fiscal years 1983 and 1987 contributes significantly to the operations of repair and manufacturing shops, we found that 4 of the top 10 equipment categories contained equipment that is generally not used in the repair and manufacture of items. Furthermore, purchase trends in these four categories have been on the increase. We also found other equipment purchase where we question the extent to which they contributed to the fulfillment of the activities' missions.

General **Hansen**. Concur.

GAO Chapter 2, Conclusion: In addition, OSD's guidance to the services is unclear on (1) vehicle purchase exclusions, and (2) what constitutes a unit in determining the unit cost of an item. Because of this lack of clarity, the services and activities have applied or interpreted the guidance differently.

General **Hansen**. (1) AFLC does not purchase passenger vehicles with ACP funds. The inclusion of carryalls by AFLC is because their primary use is to transport depot maintenance materials, not personnel. The OSD guidance did not exclude carryalls for this purpose.

(2) According to the GAO report, OSD says that if a component can be used independently it is to be considered a separate unit and thus a separate project. This would allow smart terminals to be considered as separate projects and, therefore, be purchased with DMIF expense funds. We consider the unit cost of a project for determining if a project cost is to be capitalized and depreciated or expensed. In the case of components that have stand alone capability, we say that a given investment should be classified as a project or part of a project based on its predominate use. If a smart terminal is used predominantly as a terminal; i.e., not as a stand alone

device, it would be purchased from the ACP if the cost of the total system exceeds $5,000.

GAO Chapter 2, Recommendations: We recommend that the Secretary of Defense require that ACP funds should be used for items that contribute most significantly toward fulfilling the activities' missions, and clarify existing guidance on vehicles and what constitutes a unit in determining an item's unit cost.

General HANSEN. Concur.

GAO Chapter 3, Conclusions: DOD's ACP offers great potential as a technique for financing industrial fund activities' modernization programs and increasing efficiency and productivity, but it does not have all the essential elements of a sound capital investment management program. The ACP needs stronger management involvement and support; a more systematic approach for identifying projects needed to satisfy technology and strategic planning requirements to include work process improvements; better procedures to justify, review and approve ACP projects; better planning and timing for project implementation and improved procedures to measure program benefits.

The services have taken some steps to address the various ACP problems. The Air Force has started to improve its strategic planning process and both the Army and Air Force have started to perform post investment analyses. The Navy has begun to focus its industrial engineering resources at shipyards on identifying where work process improvements can be made. These are steps in the right direction.

General HANSEN. AFLC is using the following essential elements to ensure a sound ACP: Logistics Improvement of Facilities and Technology (LIFT) plans for long range planning; a prioritization system for evaluating projects; ACP financial working group to review allocations of funds, establish a command ACP manager, track obligations weekly, track post investment benefits; and Technology Insertion as a systematic approach to modernization and Maintenance Support Technology (MST)/Repair Technology (REPTECH) to encourage technical advancement.

GAO Chapter 3, Recommendations: We recommend that the Secretary of Defense place additional management emphasis on the ACP. Specifically, the Secretary should establish a functional program manager for the ACP within the Office of the Secretary of Defense for overall program guidance, direction and oversight. The functional program manager should be responsible for developing and maintaining the ACP guidance, overseeing the program's execution, and requiring post investment analyses or other measures to determine if anticipated benefits are being realized and if changes in program management are needed. We also recommend that the Secretaries of the Army, Navy and Air Force direct their respective commands to comply with existing guidance to ensure that capital investments are consistent with the activities' strategic plans, that projects are implemented in a timely manner, that post investment analyses are being performed, and that sufficient personnel are assigned to manage and execute the program.

General HANSEN. Concur.

GAO Chapter 4, Conclusions: The ACP needs to comply with existing internal control procedures and develop additional procedures. The activities had inadequate and inaccurate accounting records for depreciation expenses and plant property. As a result, equipment items valued in the millions were not depreciated and some equipment could not be accounted for. Many of the ACP project files did not contain sufficient information on equipment cost, receipt, installation and use because the activities either lacked specific guidance on what should be contained in the files or had inadequate guidance.

General HANSEN. I sent a policy letter on May 12, 1989, to the commanders of each ALC that addresses the following seven areas of the ACP: Program management, strategic planning, justification procedures, review procedures, implementation, post investment analysis and program monitoring procedures. Furthermore, an AFLC command program manager has been established to coordinate the entire program.

GAO Chapter 4, Recommendations: We recommend that the Secretary of Defense develop guidance on the minimum documentation required to be maintained in ACP project files. We also recommend that the Secretaries of the Army, Navy and Air Force direct their respective commands to (1) comply with existing internal control procedures, (2) develop procedures to verify that actual costs of equipment are recorded on depreciation and plant property records and (3) follow-up to ensure internal control procedures are being followed.

General HANSEN. Concur.

GAO Chapter 5, Conclusions: Three major factors have affected ACP execution. First, although OSD intended for the activities to have a greater role in determining specific program requirements, increasing service or command directed projects for such items as management information systems coupled with congressional funding reductions have restricted the activities' ability to buy needed plant equipment in recent years. This ability is likely to become more limited if the program continues to be a target for further budget reductions and service or command directed purchases continue to receive higher priority funding.

General HANSEN. DMMIS is an extremely high priority AFLC project designed to modernize the depot production and material control system capabilities. It will benefit the entire Air Force by providing quality customer products at a lower overall total unit cost.

Second, OSD intended that activities should request equipment funds only for the amounts that they can obligate within a budget execution year. Also, OSD considers obligation rates as one determinant of the appropriateness of a service's or command's budget allocation. Therefore, the services perceived this to mean that if funds were not obligated within the budget execution year, they would lose them. To avoid losing money, some activities bought lower priority items because they were readily available from commercial sources.

General HANSEN. Procurement lead times for high cost equipment items generally exceed 1 year. Uncertain funding levels also make it difficult to effectively initiate large procurement actions prior to knowing what the level of funding will be. This creates a Catch 22 situation because of OSD's concern for first year obligation rates, driven by past congressional reductions for slow obligation.

Activity officials cited preparing required paperwork to initiate procurement actions and timely action by procurement activities to enter into contractual agreements as two major factors affecting their ability to obligate funds. OSD officials, however, believe that the activities could do a better job of preparing advanced paperwork and, as a result, the activities could obligate their funds. Some Army and Air Force commands and activities have taken, or are planning, actions to prepare advanced paperwork and help ensure the funds are obligated within the budget year.

General HANSEN. Concur. With limited manpower, procurement personnel give higher priority to processing funded requirements. Thus items identified in advance but not funded have not received attention until funding becomes available. However, uncertain funding levels only exacerbate the problems associated with early initiation of procurement actions for projects that will ultimately never be funded.

Third, the House Appropriations Committee, in fiscal year 1987, required the SECDEF to annually provide information on projects with its budget submission, because of concerns over the visibility of the program. The report submitted to the Congress covers only a 3 fiscal year period and, therefore, the report did not reflect the total cost of larger service or command directed projects with an expected procurement lifetime in excess of 3 fiscal years.

General HANSEN. Congress does have unlimited visibility over the large AFLC directed Depot Maintenance Management Information System (DMMIS) project. AFLC headquarters has overall DMMIS program execution responsibility and, as such, provides total life cycle project costs and adjusted completion schedules to the Major Automated Information System Review Council semi-annually. It is not the intent of AFLC headquarters to understate total DMMIS project costs by reporting costs for only 3 budget years. The DOD/Congressionally agreed to budget submission format dictates how many years are reported. Backup exhibits currently are required by OMB Circular A-11 to specifically address automatic data processing requirements (Exhibit 43 series). These exhibits have been supplemented by the presentation of statistical information for specific major automated information systems. The data is reflected for a 7-year period which includes 3 years beyond the budget years. This exhibit also shows the life cycle cost in a single figure.

ASSET CAPITALIZATION PROGRAM NO. 2

Senator DIXON. GAO indicates that approximately $5 billion has been spent in the Asset Capitalization Program over the last 6 years.

Can each of you indicate how much has been spent in your service, and what percent of the total has been spent on industrial plant equipment?

General HANSEN. The Air Force Logistics Command has received $722.3 million in Asset Capitalization Program (ACP) funds for fiscal years 1983 through 1988. Of this amount, $597.8 million (82.8 percent) has been spent on equipment; $51 million (7.1 percent), for equipment modifications and rehabilitations; $41.3 million (5.7 percent), on minor construction; and $32.2 million (4.4 percent), for management information systems. The equipment modification and rehabilitation is a strong program that is an extremely cost effective method used to generate quality products from older equipment at a fraction of the new equipment replacement costs. The plant maintenance (minor construction) program is just as critical to the successful operation of the depots. The minor construction program is used to fix small projects before they become major construction projects at a much higher cost.

ASSET CAPITALIZATION PROGRAM NO. 3

Senator DIXON. General Hansen, GAO indicates that the Air Force plans to spend $275 million of Asset Capitalization Program funds on a Depot Maintenence Management Information System over the next 10 years.

What proportion of the Air Force's Asset Capitalization Program does this represent? Why is a management information system using so much of your Asset Capitalization funding? Is this system more important than modernizing your industrial plant equipment?

General HANSEN. The Asset Capitalization Program (ACP) acquisition cost for the Depot Maintenance Management Information System (DMMIS) is $199 million. This represents programmed resources through fiscal year 1993 for DMMIS to reach its full operational capability. Over the next 10 years (through fiscal year 1999), approximately $264 million in ACP funds are projected to be spent on DMMIS. DMMIS asset capitalization program expenditures, as initially planned, represented only 12.3 percent of the ACP. As funding support diminished, the same program is now 24.5 percent of total ACP for fiscal year 1987 through fiscal year 1989. Based on projected funding levels for fiscal year 1990 and fiscal year 1991, DMMIS will require 40.7 percent of the ACP. Given the uncertain funding environment for fiscal year 1992 and beyond, it remains very difficult to give a firm estimate of DMMIS costs as a percent of funding. If ACP funding is reduced even further, DMMIS could represent an even greater percent of the total ACP. On the other hand, if funding is increased commensurate with requirements for fiscal year 1992 through fiscal year 1995, the remaining DMMIS project costs would probably represent less than 25 percent of the total ACP spread out over that 4 year timeframe. Granted, DMMIS is expensive, but the projected benefits of $705 million through year 2002 gained from this initative are much greater than its cost. The primary benefits come from productivity gains and material savings. DMMIS will also allow the command to optimize the use of existing new equipment, streamline production flow on the shop floor, enhance scheduling and improve production cost accounting. DMMIS is considered an important industrial plant equipment modernization project and, as such, is considered at least as important as modernizing industrial plant equipment since it impacts our entire process and allows us to further enhance the return on all equipment investments.

ASSET CAPITALIZATION PROGRAM NO. 4

Senator DIXON. How much do each of you expect to spend on the Asset Capitalization Program in fiscal years 1990 and 1991?

Can you give us some idea of the key projects that will be funded over the next 2 fiscal years?

General HANSEN. We intend to spend $74.5 million on the Asset Capitalization Program (ACP) for depot maintenance in the Air Force Logistics Command for both years based upon the President's budget. The following are key projects which will be funded in the next 2 years.

Automated Fuel Accessory Test Equipment: $12 million for fiscal year 1990 at Kelly AFB, Texas. This is the initial outfitting equipment required to complete the second of four phases for the approved military construction program project by the same name. The funds will buy general purpose test equipment to test jet engine fuel system components.

Mechanized Material Handling System: $1.5 million for fiscal year 1990 at Hill AFB, Utah. This system will support multiple aircraft landing gears. The new handling system will temporarily hold all components prior to entry into the work flow process in support of the newly instituted process management philosophy.

F-15 Wing Repair Equipment: $1.32 million in fiscal year 1990 at Robbins AFB, Georgia. These funds will be used in the new military construction program facility to buy bridge cranes that will allow maintenance personnel to efficiently dismantle aircraft.

CNC Internal Grinder: $1.5 million in fiscal year 1991 at Hill AFB, Utah. Ogden Air Logistics Center is the prime overhaul depot for Air Force landing gear. The CNC internal grinder will be used to perform precision internal machining of cyclindrical landing gear components for the C-5A, C-5B and the B-1B. The CNC internal grinder will eliminate the need for projected weekend overtime to support out-year workload requirements. In addition, it will provide surge capability for this critical workload.

C-141 Maintenance Hangar Equipment: $1.71 million in fiscal year 1991 for Robbins AFB, Georgia. Three bridge cranes per bay in three bays for a total of nine overhead bridge cranes are required for this maintenance hangar. If the bridge cranes are not provided, certain components on the aircraft will require mobile cranes for their removal. To operate a mobile handling system will require additional facility floor space and height considerations beyond the scope of the facility. Adding the required square footage for the mobile crane operation is not a viable alternative. Use of the bridge cranes will make full utilization of the entire facility possible and result in improved product flow.

Auger Microscope: $1.0 million in fiscal year 1991 at Tinker AFB, Oklahoma. This item will be used to analyze thin composite structures. Very small microelectronic circuits experience minute amounts of contamination. The Auger microscope, a high magnification imaging/chemical analysis system, allows early detection of contamination which may cause failure of the circuits and, in turn, damage to the aircraft.

CAD/CAM Integration: $0.2 million in fiscal year 1991 at McClellan AFB, California. Currently Computer Aided Design/Manufacturing (CAD/CAM) systems in various areas are designed separately with no standard methods and little or no means of exchanging data. This system will integrate the existing CAD/CAM systems at McClellan AFB and perform additional workload. The system will combine CAD items into consolidated packages and will provide for CAD standards, common methodologies and a single access interface for SM-ALC/MA.

Equipment Acquisition: $25.6 million in fiscal year 1991 for equipment projects costing less than $1 million each and not reported elsewhere in the budget exhibits. These projects are part of an ongoing effort by AFLC to modernize and maintain the enormous inventory of industrial equipment required to accomplish depot maintenance activities at the five Air Logistics Centers (ALC's), the Aerospace Guidance and Metrology Center (AGMC), the Aerospace Maintenance and Regeneration Center (AMARC), the Support Group Europe (SGE) and the Support Center Pacific (SCP). The inventory of equipment consists of over 60 thousand items with an estimated value of over $2 billion. These equipment requirements are to replace worn out and obsolete equipment which is essential to support existing workloads, as well as to respond to changes in technology. Planned investments include equipment for testing, inspection, measurement, cleaning, coating, bonding, grinding and forming. Approximate breakdown by ALC is: Oklahoma City—$4.2 million, Ogden—$4.7 million, San Antonio—$5.1 million, Sacramento—$4.1 million, Warner Robins—$4.5 million, and a total $3.0 million for the remaining smaller centers. Benefits to be derived from these investments may be categorized into at least five major areas; i.e., (1) maintain repair processes, (2) enhance quality and reliability, (3) improve health, safety and environmental conditions, (4) shorten repair cycle and reduce spares and (5) prevent future costs and increase productivity.

Minor Construction: $8 million in fiscal year 1991 minor construction projects at AFLC depot facilities. The minor construction program allows flexibility in adapting to changes in facility requirements. Projects are on a small scale and are accomplished within an immediate timeframe. These projects support the Air Logistics Centers mission requirements and correct safety and environmental problems, as well as improve productivity through quality of life improvement projects office/work space reorganizations. Examples of planned facility modifications include: Work area consolidation to improve repair process flow; co-location of lab functions with repair/test processes; power distribution to repair locations; paving ramp work locations; altering production areas and improving working conditions.

READINESS VERSUS SUSTAINABILITY NO. 1

Senator DIXON. In the event that we can find ways to increase readiness and sustainability funding in fiscal year 1990, what would be your highest priority programs for such an increase?

General HANSEN. Because the funding of sustainability spares has been low and the lead time is so long for purchasing spares, I must put top priority on my repair capability. Civilian pay, infrastructure, depot repair, Stock Fund and the Asset Capitalization Program (ACP) (plant modernization) are the key repair ingredients. A balance must be obtained between all of these accounts. The current fiscal year 1990 budget request made a good faith effort to achieve that balance. The ACP account is a major concern. I don't need more funds, just the authority to spend up to the depreciation level of my equipment. With better equipment the depots can complete repairs more effectively and efficiently, which is the key to sustainability.

If additional funds were to become available from outside the current DOD funding levels I would apply the funds as follows:

Infrastructure account (operation and maintenance funding) needs an additional $90 million for real property maintenance, base operating support and environmental compliance.

Depot repair could use an additional $66 million to bring it back to the fiscal year 1989 appropriated support level. This would support the repair of 60 to 75 percent of base safety levels.

BP 1500 (replenishment spares) needs at least $137 million per year in aircraft war readiness spares. This would allow Tactical Air Forces wartime sortie capabilities to increase from 79 percent to 91 percent.

BP 12 (common support equipment) needs added funding of $50 million. At current funding levels we will have to defer the purchase of replacement equipment due to purchase of higher priority ground power generators and initial activation requirements.

READINESS VERSUS SUSTAINABILITY NO. 2

Senator DIXON. Last year each of you indicated that you thought the amended fiscal year 1989 budget protected near-term readiness at the expense of sustainability.

Would you say that the Department has adopted the same strategy again this year?

General HANSEN. I must remind you that the Air Force had funded sustainability at a higher level through fiscal year 1988; however, as a consequence of congressional and Air Force actions our current investment in sustainability is not adequate. I must emphasize that the Air Force has done, within the resources available, all that we could to plus-up sustainability funding. In fiscal year 1990 for instance, we have $242 million designated for aircraft WRSK/BLSS; this is up from $0 in fiscal year 1989. The Air Force has provided what it could afford, given the austere funding. Over the next 5 years, the Air Force increases its request for aircraft WRSK/BLSS funding by $355 million. That still is not adequate, but it is all Air Force can afford within existing funding constraints.

READINESS VERSUS SUSTAINABILITY NO. 3

Senator DIXON. Given the funding projections for the outyears, how long can we afford to continue this policy of protecting readiness and cutting back on sustainability?

General HANSEN. The simple answer to this question is that we cannot afford, and never could afford, a policy of protecting readiness and cutting back sustainability. The Air Force has taken prudent action to plus-up the sustainability funding as indicated in my response to your earlier question about sustainability. We are putting the resources that we can afford on sustainability. However, as long as we are in a constrained fiscal environment, our priority must be on the readiness accounts and training accounts. We must have trained personnel prepared to go to war.

CIVILIAN PERSONNEL FUNDING

Senator DIXON. Last year all of you indicated that some sort of furloughs of civilian employees might be necessary to live within your fiscal year 1989 funding.

Do any of you expect any furloughs or reductions in force this year or next year?

General HANSEN. No furlough/reduction-in-force action within AFLC is currently expected for this time period.

MILITARY CONSTRUCTION

Senator DIXON. Would each of you please give us your three highest military construction projects for fiscal year 1990?

General HANSEN. The three highest fiscal year 1990 military construction projects for AFLC are Tinker's B-2 Integration Support and B-1B Radar Software Test Facility and Robins' F-15 Wing Repair Facility.

ASSET CAPITALIZATION PROGRAM

Senator **Dixon**. Admiral Arthur, later this morning the subcommittee will hear the results of the General Accounting Office's review of the Asset Capitalization Program. I believe each of you has had an opportunity to review GAO's work. Would you care to comment on GAO's conclusions and recommendations?

Admiral **Arthur**. The Navy concurs with many of the findings and recommendations contained in the GAO report. I would refer you to the DOD response to the draft GAO report for our basic positions on the issues. The Navy feels well represented by the DOD response. Prior to discussing the specific GAO findings, I would like to point out that GAO's work basically portrays the administration of the ACP through fiscal year 1987. Their review does not, in the Navy's opinion, adequately reflect the substantial gains made by the Navy during the past year. We feel strongly that many of the alleged problems reported by GAO depicts a historic rather than a current position regarding the Navy's management of the ACP. I now have some amplifying information pertaining to certain specific issues as follows:

In chapter 2 of the report, the section called "OSD GUIDANCE DOES NOT ADDRESS PROGRAM PLAN," GAO cited examples of ACP purchases at the Naval Weapons Station (NWS), Yorktown which could benefit from explanation. The ice machine allows direct work personnel working in various remote locations around the base to have cold drinking water without leaving their work area. The mobile tape vault was necessary to store and protect the data from various support ADP systems. The Navy believes that these purchases are vital to the accomplishment of the activity's mission even though they are not, as implied in the report, part of "shop floor" activities.

Also in chapter 2, under "OSD DEFINITION OF A UNIT NEEDS CLARIFICATION," the purchase of 34 desktop computers at Yorktown using ACP funds was questioned. Although the cost of each individual item was below the ACP funding threshold, the computers were bought as a unit because they comprise a local area network and are designed to work together. They would not fulfill their purpose if only used individually and were therefore considered as a unit. In addition, the Navy might have been criticized for "hiding" the cost of the system by buying it in pieces had that other approach been taken.

Elsewhere in the same chapter ("OSD AND COMMAND ACP GUIDANCE NOT FOLLOWED"), the purchase of submarine hull treatment enclosures at six naval shipyards using ACP funds was mentioned as possibly being unique to a customer and therefore requiring direct reimbursement from a customer. At time of purchase, these enclosures were planned to support different classes of submarines and therefore not considered unique. Comments and discussion at the activity and command level (dating from 1984) that a program sponsor should have made direct reimbursement reflect an early misunderstanding concerning the ACP's guidelines.

The purchase of a patrol boat by the Norfolk shipyard is also made an issue in this section of the report because of the prohibition against buying ships with ACP funds. Apparently GAO does not recognize the clear distinction between boats and ships. The funding mechanisms for the two are completely different. Ships are major budget items and must be specifically authorized by Congress. The prohibition against using the ACP for ships was adopted specifically to preserve Congress' oversight. Boats, such as the 24 foot harbor security boat given in this example, are purchased by the Navy on a routine basis for many different activities. In the case of a NIF activity, it was felt that the ACP was an appropriate source of funding.

In chapter 3 of the report ("LACK OF SYSTEMATIC APPROACH TO IDENTIFYING INVESTMENT OPPORTUNITIES"), the GAO found that only nine of eighteen ACP projects were reflected in the Yorktown Weapons Station's fiscal year 1986 strategic plan. While the Navy does concur with the need to reinforce existing guidance and ensure that ACP projects are consistent with activities' strategic plans, an important point should be made. Since the ACP funds all equipment for NIF activities costing more than $5,000, not all equipment will be shown in a strategic plan. This does not mean that the equipment is not in accordance with that plan. Instead, the equipment supports a process as opposed to being a process.

Another section in chapter 3 ("IMPLEMENTATION OF APPROVED PROJECTS") gives three examples of significant delays in ACP project implementation at two naval shipyards. The Navy is definitely sensitive to this issue and would like to point out that although a few such examples were found by GAO, both the activities cited install and begin operating the vast majority of ACP equipment within 90 days of delivery. In fact, at the Norfolk shipyard, the percentage of equipment installed and operating within 90 days of receipt was over 90 percent during the period under review by GAO.

Within chapter 5, the section "NONDISCRETIONARY PROJECT PURCHASES REDUCE ACTIVITIES' BUYS", GAO cited the Mare Island shipyard as having had about 28 percent of its ACP authority between 1983 and 1987 used for nondiscretionary purchases. Further, it was reported that a nondiscretionary production management information system will continue to utilize a significant portion of their ACP authority. While the Navy recognizes the need to allow NIF activities to retain as much ACP management prerogative as possible, nondiscretionary ACP purchases have important and positive roles to play in the program. For example, the submarine hull treatment enclosures and nuclear refueling equipment cited by GAO were vital to the accomplishment of the shipyard's mission. These and other nondiscretionary ACP purchases frequently cover multiple NIF activities to ensure commonality, compatibility and cost efficiency. In fact, justifiable criticism could be lodged against the Navy if it didn't pursue these nondiscretionary ACP items and instead allowed its activities to acquire their own unique and more costly solutions to their mission requirements.

Another set of examples of nondiscretionary purchases cited by GAO involved three projects which were mistakenly identifed as information systems. These were: (1) Rapid Acquisition of Manufactured Parts (RAMP); (2) Computer Aided Design 2 (CAD 2); and (3) Engineering Data Management Information and Control Systems (EDMICS). Some additional information concerning these three items seems called for. First of all, none of the projects are information systems and two of the three are not mandated purchases. CAD 2 is an umbrella contract vehicle established for Navy and DOD activities to utilize in satisfying *their* existing requirements for computer aided design equipment. It was largely in response to specific concerns about DOD-wide compatibility and duplication expressed by Congress that CAD 2 was created. EDMICS will provide central automated respositories of design data which will be compatible with CAD 2 equipment. EDMICS, like CAD 2, will be utilized to fill existing activity requirements. RAMP is a nondiscretionary project to provide cost-effective automated manufacturing of parts. RAMP has potential to substantially reduce lead times for hard-to-get parts while at the same time reducing costs of inventory and manufacturing. This project is being implemented at three different activities. This partnership enables the activities to avoid duplication and ensure commonality.

Senator DIXON. GAO indicates that approximately $5 billion has been spent in the Asset Capitalization Program over the last six years. Can each of you indicate how much has been spent in your service, and what percent of the total has been spent on industrial plant equipment?

Admiral ARTHUR. From fiscal year 1983 through fiscal year 1988, the Navy Industrial Fund has made capital investments totaling approximately $3,380 million through the ACP. However, figures are not available to distinguish between the level of purchases of plant equipment and those of general purpose equipment. First of all, the task of tracking that kind of detail would be daunting if not impossible without expending inordinate sums on management information system upgrades. Second, the Navy believes that selection criteria utilized in management of the ACP makes the differentiation between plant and general purpose equipment a moot point. ACP projects are chosen either because they are essential to the performance of activities' missions or because cost-benefit analyses show that they give the greatest return on investment. If, by utilizing a narrowed viewpoint, a portion of ACP funds were restricted to purchases of plant equipment, it is probable that some equipment necessary for mission performance or equipment with greater economic returns would be passed-over in favor of lesser items that fit into the "proper category."

Senator DIXON. Admiral Arthur, GAO found that one Navy activity had spent $150,000 of Asset Capitalization funds for vehicles for some of the tenant activities on the Navy base. Navy officials knew at the time that Asset Capitalization funds should not be spent for this purpose, but they needed the vehicles and the Asset Capitalization funds were the only available funding source. How could these officials spend money in a way that they knew was improper? Why weren't these management controls in place, such as review by higher headquarters?

Admiral ARTHUR. We disagree with GAO's allegation that shipyard officials "knew this was an improper ACP expenditure." Contrary to GAO's interpretation of OSD guidance on using ACP funds, as cited in the draft report, shipyard and

NAVSEA officials consider the procurement of vehicles by the shipyard for assignment to the shipyard pool to be an appropriate ACP expenditure. The transportation pool, which services both the shipyard and customer commands, is the appropriate mechanism to meet customer responsibilities.

Senator **Dixon**. How much do you expect to spend on the Asset Capitalization Program in fiscal years 1990 and 1991? Can you give us some idea of the key projects that will be funded over the next two fiscal years.

Admiral **Arthur**. Total spending by the NIF ACP is planned at $352 million in fiscal year 1990 and $365 million in fiscal year 1991. Itemized listings of all equipment purchases costing over $1 million as well as listings of modernization items, equipment involving new techniques, CAD/CAM, major ADP equipment, and management information systems costing over $1 million are provided in the Department Of The Navy Supporting Data For Fiscal Year 1990 And 1991 Biennial Budget Estimates volume on the Asset Capitalization Program. Pages 5 through 291 of that volume cover the Navy Industrial Fund ACP while pages 293 through 296 are devoted to the ACP in the Marine Corps Industrial Fund.

READINESS VERSUS SUSTAINABILITY

Senator **Dixon**. In the event that we can find ways to increase readiness and sustainability funding in fiscal year 1990, what would be your highest priority programs for such an increase?

Admiral **Arthur**. In the event that additional fiscal year 1990 funds are available, our highest priority would be Base Operations Support.

Senator **Dixon**. Last year, you indicated that you thought the amended fiscal year 1989 budget protected near-term readiness at the expense of sustainability.

Would you say that the Department has adopted the same strategy again this year?

Admiral **Arthur**. Yes, sir. In developing the amended fiscal year 1990/fiscal year 1991 President's budget we had to forego certain program funding for affordability reasons and make significant adjustments. The Department protected the personnel and readiness areas. Flying hours and steaming days per quarter are sustained at fiscal year 1989 congressionally enacted levels. Pay and benefit levels for military personnel are maintained.

Senator **Dixon**. Given the funding projections for the outyears, how long can we afford to continue this policy of protecting readiness and cutting back on sustainability?

Admiral **Arthur**. The adjustments in the Amended Budget produced increased "risk", but our mobilization capability has been maintained. Given the large funding reductions that had to be made, we elected to maintain readiness. As outyear funding estimates are transformed into a budget, the balance of readiness and sustainability is continually reviewed. While we know that we cannot continue this policy indefinitely, there is not a clear timeline to indicate a "point of no return". We will continue to evaluate the balance between these pillars to ensure that we do not exceed a level of "acceptable risk".

CIVILIAN PERSONNEL FUNDING

Senator **Dixon**. Last year you indicated that some sort of furloughs of civilian employees might be necessary to live within your fiscal year 1989 funding. Do any of you expect any furloughs or reductions in force this year or next year?

Admiral **Arthur**. In fiscal year 1989, reductions in force for 824 positions are planned for Naval Shipyards Long Beach and Mare Island, California. This action is commensurate with the expected decline in civilian staffing of about 4,000 at all the naval shipyards. In addition, reductions in force have been approved at six aircraft intermediate maintenance activities for 81 positions as a result of commercial activities reviews pursuant to OMB Circular A-76. Total Department of the Navy civilian staffing will decline 5,855 in fiscal year 1990 and 1,544 in fiscal year 1991. These reductions reflect the expected results of A-76 reviews and changes in specific program workload levels rather than across-the-board reductions.

Reduction in force procedures are often invoked when functions are contracted out as a result of A-76 reviews, although most employees find a different job with the same activity or are hired by the contractor. Historically, resultant unemployment has been rare. In any event, the number of reductions in force as a result of A-76 cannot be determined until the process is completed. In circumstances other than A-76 reviews, some reductions in force at the local activity level may be necessary to implement staffing reductions which are driven by reduced funding and workload levels. The estimates of these potential actions are not available at this point. In every case where reductions are required, attrition will be relied upon to the maximum extent possible, with reductions in force being the last resort.

The President's budget does not reflect or anticipate the furlough of any civilian personnel.

MILITARY CONSTRUCTION

Senator DIXON. Would you please give us your three highest military construction projects for fiscal year 1990.

Admiral ARTHUR. It would be difficult, if not impossible, to obtain a consensus as to the three projects in our $1.13 billion fiscal year 1990 military construction program that are of highest priority. Only those projects of the greatest need have been included in this modest program. It is a balanced program composed of projects, each of which satisfy a unique requirement that must be accomplished in fiscal year 1990. A project to provide housing to adequately house our enlisted personnel is of no less or more importance than a pier to berth our ships, a hangar to maintain our aircraft, or a training building to train our people.

QUESTIONS SUBMITTED BY SENATOR SLADE GORTON

ARMY READINESS AND SUSTAINABILITY

Senator GORTON. General Wagner, on pages 1–2 of your statement, you discuss the overall status of Army Readiness and Sustainability. You bring us the same story as did the CINC representatives in our last hearing. You are living on the margin and that many of the management indicators are beginning to show early indications of problems that you had as "hollow Army."

From the other indications, from the administration, GAO, and CBO, the funding will not get much better.

Assuming the funds are not increased to maintain readiness levels, what changes do you recommend to correct these problems?

General WAGNER. If funds are not increased to maintain the readiness levels, then I would recommend that all of the "restrictive funding constraints" be removed (such as Depot Maintenance floor, Real Property Maintenance constraints and the purchase of cold weather clothing, etc). The funding constraints placed upon the services reduces flexibility and precludes maximizing the use of limited Total Obligation Authority.

CENTRAL SUPPLY

Senator GORTON. General Wagner, on pages 3–6 of your statement, the supply problems are not going away because, as you admit, you are not funding them at the full requirement. I assume the Army has also determined the level of requirement. Also, I assume that the requirement level has been scrubbed down to only essential needs.

Given these assumptions, has the Army put as much funds on these supply problems that it can within budget constraints and while trying to balance the various budgets parts?

General WAGNER. The Army's number one priority is to balance the funding levels for each MACOM given the limited Total Obligations Authority. Given the magnitude of the total OMA requirements and the congressional limitations (such as the Depot Maintenance floor) we are forced to focus on precluding near-term readiness impacts.

DEPOT MAINTENANCE

Senator GORTON. General Wagner, on pages 6–8 of your statement, you address the problems with the Depot Maintenance in the Army. The examples and comparisons point out that old and new systems both have increasing costs. I can also see the backlog is continuing to increase.

At the current level of funding and with no increases foreseen for the 5-Year Defense Plan (FYDP), how long before these Depot Maintenance shortages will affect readiness and sustainability?

General WAGNER. We attempt to minimize the impact on readiness by placing funding priority on depot maintenance of the secondary items since these have the most direct linkage to readiness. Hardware funding shortfalls are therefore, reflected primarily in the depot maintenance of the end items which causes these items to remain in the field longer. As this continues over an extended period of time, sustainability is reduced. Because of the overall condition of these items, we would not have the needed level of reliability and maintainability which reduces their staying power in combat. Therefore, sustainability is being reduced today as a result of underfunding; however, it is difficult to determine when the effect of unfunding this program will substantially impact Army readiness.

AMMUNITION PROGRAM

Senator **Gorton**. General Wagner, on pages 10–15 of your statement, the many problems associated with the ammunition program are laid out. This area of the budget continues to be underfunded year after year. This experience indicates that this must be an area of low priority. It will be very difficult to bring up the production facilities and production levels for a conventional conflict.

With the budget restrictions, is it the Army's plan to accept these ammunition production and stock level risks until there is an actual conflict?

General **Wagner**. No sir. Although the program is lower than in previous years, it is both equitable and balanced within the context of the total reduced Army budget submission.

The ammunition program meets these three imperatives:

First, emphasis on near term readiness with high priority on training support.

Second, ammunition for emerging weapons systems and to modernize and strengthen selective war reserve inventories.

And finally, funding to support and modernize our critical government-owned active ammunition production base.

OVERVIEW NO. 1

Senator **Gorton**. General Hansen, on pages 4–5 of your statement you talk about how the current logistics conditions compared to those in the late 1970s. We appear to answer funding cuts by stretching the life of structural components, delaying maintenance actions, stretching out procurements, cutting manpower and resorting to less economical buys. And, as you say, we may get less combat capability and significantly lower readiness and sustainability for the dollars expended.

Would you give us your opinion of how close we are to getting in those conditions of the late 1970s and what actions should be taken to stop these declines?

General **Hansen**. We're still a good way away from those conditions of the late seventies. In the late seventies we were experiencing, on the average, mission capable rates of 66 percent. Currently we are experiencing mission capable rates above 80 percent. Back in the late seventies we were not fully funding the peacetime accounts. Today we are at least doing that and making some minimal investments in sustainability. Also since the seventies we have significantly increased the combat capability of our forces by the introduction of a new generation of equipment which is much more capable and much more reliable. In addition, we have invested heavily in reliability and maintainability improvements making the equipment we now operate much more capable.

In terms of manpower now versus the 1970s AFLC closed out fiscal year 1979 with a total of almost 80,000 civilian employees, reflecting a steady but sizeable reduction of approximately 3,600 employees from the end of fiscal year 1976 to fiscal year 1979.

AFLC finished fiscal year 1988 in a similar drawdown posture with about the same fiscal year 1979 level of 80,000 total civilian employees, but decreased over 10,600 employees from just the end of fiscal year 1986.

This later drawdown was more severe and created more turbulence due to total number of employees lost in the shorter time period of 2 fiscal years during which it occurred.

Our September 30, 1989, end strength is currently projected to be at about 83,700 total employees, so we will find ourselves at approximately the same employment level we had at the end of fiscal year 1983.

In view of a steadily increasing work load, we believe that the future funding for, and holding of, civilian strength levels around current authorized levels is absolutely essential to maintaining a satisfactory readiness and sustainability posture.

OVERVIEW NO. 2

Senator **Gorton**. General Hansen, throughout your statement for the record, you refer to the personnel of your command and their importance. You also refer to the problems last year getting funds to hold the employees on the payroll.

Are the Air Force funding levels in the budget before Congress adequate to keep these employees?

General HANSEN. Funding levels in the current budget submission are sufficient to fund 96.5 percent of AFLC's O&M authorizations. The Command is currently projecting to finish fiscal year 1989 above that level which will necessitate the reduction of some end strength in fiscal year 1990 through normal attrition.

In the Industrial Fund (DMIF) area, we anticipate no major problems with funding levels that normal attrition would not handle.

OVERVIEW NO. 3

Senator GORTON. General Hansen, you make repeated requests for additional flexibility within the O&M funds going to your command. Most of these problems were due to restrictions and floors imposed on these funds.

In trying to get you the flexibility you need, which option would be best for you:

Put no restrictions and floors in the bills and acts for this budget cycle, or

Put into language the percentage flexibility you mentioned, or

A combination of these, which ones?

General HANSEN. Ideally, having no floors or restrictions on my program would provide optimum flexibility. This would allow maximum flexibility and provide me the ability to develop a balanced executable program as well as respond to contingencies as they arise during the course of the year. However, I am also aware of the Congress' concern about increasing depot maintenance backlogs and providing sufficient dollars to support depot maintenance requirements. Consequently, I am requesting only 3 percent flexibility (approximately $100 million) from the depot maintenance floor to allow me to balance my program and provide the commensurate level of support needed to supplement the funded level of depot maintenance. With this 3 percent flexibility, I will be able to support our infrastructure, facility maintenance program, etc., while providing the Air Force vital depot level maintenance support without mortgaging the Command's future.

OVERVIEW NO. 4

Senator GORTON. General Hansen, in a number of the new and ongoing programs at your command, an increased need for additional ADP (computers and software) is essential to make them work. There has been a history of not getting all the ADP you need funded in the budget. Does the current request have adequate funds to meet your schedules for your computer supported programs?

General HANSEN. Yes, the current President's budget contains adequate funds to support our computer efforts.

Senator GORTON. Mr. Rodrigues, on pages 1-5, your statement covers the summary and background on the issues surrounding the report on the Asset Capitalization Program (ACP). It appears that a number of problems were discovered. In the remainder of the statement, where you discuss the problems individually, it appears that in a majority of the cases the DOD agrees with your findings, and DOD has either taken corrective action or is in the process of correcting the problems. Is that a correct assessment of the current status of this review?

Mr. RODRIGUES. Your assessment of the current status of our review of the program is correct, Senator Gorton. DOD has agreed with most of our findings and has stated that it plans to take actions to correct the problems we noted during our review. These corrective actions are expected to be completed by the end of this calendar year.

Senator GORTON. Mr. Rodrigues, the service representative have admitted that there are problems and they are taking corrective actions. They also indicate that they want the ACP program to continue. They need the funds for plant modernization. Do you believe that the ACP program has been or will shortly be corrected to the point that the Congress will not have to terminate or hold up ACP actions?

Mr. RODRIGUES. We believe that the ACP program is needed to continue to modernize plant equipment at DOD repair and manufacturing activities. We also believe that, if the DOD promptly implements the actions that it has promised it would take, program management will be greatly improved.

Senator GORTON. Mr. Rodrigues, given the finding of the GAO on the ACP program and the planned corrective actions by the DOD and the individual services, do you recommend any changes in the legislative guidance to the Department of Defense?

Mr. RODRIGUES. At this point we would recommend that the program authorization be limited to depreciation charges until such time that there is some evidence that the DOD has taken the steps to fully correct the problems that we have identified, particularly focusing the program on its primary intent, which is to buy plant equipment that directly supports the activities' primary missions.

We also suggest that the Congress consider amending its ACP budget exhibit reporting requirement to include having the DOD report the total cost of ACP projects over the entire project cycle. We believe that such information would be useful to the Congress to establish adequate congressional oversight of ACP funds.

Senator **Gorton**. Mr. Rodrigues, assuming that there is a valid need for modernization of the industrial plants of the services and not going back to the old way of competing for funds against weapon systems, did you, during your review of the ACP and related needs and options, reach any conclusions that there was a better way(s) to meet the modernization needs?

Mr. **Rodrigues**. We did not examine alternatives to the ACP. As mentioned in our statement, the ACP offers great potential for modernizing the activities' operations and no change in the program's method of financing most projects is needed. However, we are concerned about some service- or command-directed projects that consume an increasing share of the activities' available ACP funds. We believe that the Congress should review the need for these projects on an individual basis and determine whether they warrant separate funding sources due to their potential short and/or long-term impact on activity ACP funding.

READINESS FUNDING

Senator **Gorton**. Admiral Arthur, on pages 1-4 of your statement, you point out the areas where the Navy readiness has improved. However, in almost every case you project that with additional funding decreases, each of the areas could experience declines. Leveling off and beginning declines are common in all services with the decreasing funds.

If the funds do continue to decrease and the trends do go down as expected, do you have recommendations as to where to look for changes to keep the forces ready? Would you recommend a package of balanced cuts, lower readiness, and the same force level—or a package of balanced cuts, maintain readiness, and a reduced force level?

Would a reduced force level, if recommended, affect the Navy's ability to meet the current level of overseas commitments?

Admiral **Arthur**. The adjustments in the amended budget have increased the "risk" factor, but our overall readiness and mobilization capability has been maintained. If funding levels continue to decline, we will have to reevaluate our priorities and maritime strategy to match the funds available.

For the last few years, our guiding principle has been to hold risk at acceptable levels, maintain our ability to meet commitments and ensure a balanced program. I would not recommend wholesale force level reductions as a means to reduce the budget. The force level reductions reflected in the amended fiscal year 1990 President's budget allow us to focus our efforts and resources to maintaining the readiness of newer and more capable ships.

Accommodating reduced force levels without a reduction in overseas commitments would increase PERSTEMPO/OPTEMPO on the rest of the fleet and impact retention of trained personnel as occurred in the late 1970s.

SHIP DEPOT MAINTENANCE BACKLOGS

Senator **Gorton**. Admiral Arthur, on pages 7-8 and in figure 9 of your statement, Ship Depot Maintenance is discussed. The Navy is showing a number of ship backlogs. These backlogs are increasing through 1989 and then they go down again. The Restricted Availabilities are also going down after this year. What is the main reason for the turnaround in fiscal years 1990 and 1991, is it more funding in those years reducing backlogs, or less ships coming into the various types of overhauls?

Admiral **Arthur**. As displayed in the following table, the number of ships in regular overhaul (ROH) backlog are essentially constant and reflect the realities of hard choices made in the competitive environment of generally decreasing resources. The decrease in total number of ROH's from fiscal year 1988 to fiscal year 1992 is driven by ship class maintenance plans vice by fiscal constraints.

	1988	1989	1990	1991
ROH's	22	25	15	12
RATA	151	159	151	121
ROH backlog	4	3	4	5

STRATEGIC HOMEPORTING, STATE OF WASHINGTON

Senator GORTON. Admiral Arthur, on page 11 of your statement, you discuss the Strategic Homeporting Military Construction funds. One of the items affects by State of Washington. One of the problems that affected this item was a number of environmental concerns. Your words in the statement do not sound as though the plan is firm and final.

Do you feel that the approach worked out will permit the Milcon to be completed without further interruptions?

Admiral ARTHUR. Yes. In fact, we have already modified our dredging and construction plans to conform to the court approved settlement agreement. We are now in the process of requesting cost proposals while the State of Washington and Army Corps of Engineers process our revised permit requests. At present, we expect a late summer contract award, and believe that our negotiated approach resolved the problems that previously interrupted construction.

The Navy appreciates the cooperation of officials of the State of Washington Department of Ecology and the Sierra Club. We are pleased that we were able to develop a workable approach that balanced environmental controls with our strategic need to construct a carrier battlegroup homeport.

REAL PROPERTY MAINTENANCE

Senator GORTON. Admiral Arthur, on pages 11–13 of your statement, you refer to the sad condition of Navy facilities. On the other side, Milcon has been cut and the Real Property Maintenance Backlogs are continuing to increase. This leaves you with no new buildings and few funds to repair the current problems.

Do you see this problem continuing for the near future or do you see it becoming so bad that there will be additional base closures and consolidations to get the military physical plant to one that can be kept at the current reduced funding levels?

Admiral ARTHUR. I see the condition of the Navy's shore establishment continuing to be a problem in the near future. The current fiscal environment constrains the amount of resources that are available for the upkeep of the shore establishment. However, the Navy's Shore Facility Life Extension Program will be used to lessen the problem of scarce resources by ensuring they are applied to those deteriorated facilities that are most adversely impacting fleet operational readiness. It does this by relying on information from a Shore Base Readiness Report which allows base commanding officers to identify problem areas according to their impact on readiness.

Military strategy and force structure requirements determine the location and size of the Navy's shore establishment, not the condition of its physical plant. I do not foresee additional base closures and consolidations as a result of the current condition of Navy facilities.

[Whereupon, at 11:08 a.m., the subcommittee was adjourned.]

DEPARTMENT OF DEFENSE AUTHORIZATION FOR APPROPRIATIONS FOR FISCAL YEARS 1990 AND 1991

THURSDAY, MAY 18, 1989

U.S. Senate,
Subcommittee on Readiness,
Sustainability and Support,
Committee on Armed Services,
Washington, DC.

AMMUNITION PROGRAMS

The subcommittee met in open session at 2:17 p.m., in room SR-222, Russell Senate Office Building, Senator Alan J. Dixon (chairman of the subcommittee) presiding.

Committee members present: Senators Dixon, Nunn, Levin, Shelby and Lott.

Committee staff members present: Robert E. Bayer and David S. Lyles.

Minority staff members present: Romie L. Brownlee, deputy staff director; Ronald P. Kelly and George W. Lauffer, professional staff members.

Staff assistants present: Barbara Gallo and Mary J. Kampo.

Committee members' assistants present: Charles C. Smith, assistant to Senator Dixon; Kenneth N. Luongo, assistant to Senator Levin; Terrence M. Lynch, assistant to Senator Shelby; Grayson F. Winterling, assistant to Senator Warner; Dudley L. Carlson, assistant to Senator Wilson; Robert M. Soofer, assistant to Senator Gorton; Charles G. Pearcy, assistant to Senator Lott; and Eric H. Thoemmes, assistant to Senator Coats.

OPENING STATEMENT OF SENATOR ALAN J. DIXON, CHAIRMAN

Senator Dixon. If it is all right with you, General Greenberg, I am going to go ahead and open the hearing. Then when General Bracken gets here, he can just take his seat.

Ladies and gentlemen, the Subcommittee on Readiness, Sustainability and Support meets today to continue our hearings on the fiscal 1990 Defense authorization request. This afternoon, we will hear testimony on Army and Air Force ammunition programs.

The conventional ammunition production base in this country is made up of a partnership of both Government-owned and private sector facilities. Maintaining the vitality of this ammunition production base is essential to our Nation's security. Unfortunately, given the level of funding for level of effort munitions in the last several years and in this budget, particularly in the Army's budget, I am beginning to have serious concerns about the health of our ammunition production base.

Our witnesses this morning are Maj. Gen. Paul Greenberg, the Deputy for Ammunition under the Assistant Secretary of the Army for Research, Development and Acquisition, and Maj. Gen. Edward Bracken, the Air Force Director of Logistics, Plans and Programs. And, of course, we welcome both of you back to the subcommittee this year and we appreciate your being here this afternoon.

Gentlemen, your full statements, of course, will be included in the record in full and we will have questions after you have given your oral testimony. We have reviewed your written statements and we would appreciate your limiting your opening remarks to 10 minutes in order to have more time for the questions. And I might say, I limit the Senators like the generals, so if you do not mind doing your best to confine yourself to the 10-minute limit, it will be greatly appreciated.

I believe that the hearing can be conducted in open session, but if any of you have some brief classified remarks, either one of you, we will reserve a few minutes at the end of the hearing for a short closed session. Our distinguished chairman is here; I do not know if he is going to have some questions. I see that one of the members of the full committee, the distinguished Senator from Mississippi, who is not on this subcommittee, but has, of course, quite obviously, interests about his State's ammunition programs, is here and he will be recognized for questions shortly.

And General Greenberg, would you be kind enough to proceed, please.

Senator LOTT. Mr. Chairman, if I could, I have an opening statement here from Senator Slade Gorton, who is necessarily absent to attend another Armed Services subcommittee briefing. And I would ask that his statement be made a part of the record at this point.

Senator DIXON. Thank you very much. It will be made a part of the record as well as a statement by Senator Thurmond. General Greenberg, thank you.

[The prepared statements of Senator Gorton and Senator Thurmond follow:]

PREPARED STATEMENT BY SENATOR SLADE GORTON

Thank you, Senator Dixon. I too would like to welcome the witnesses to the hearing today.

I see in the statements for the record that the witnesses have great concerns about the readiness and sustainability trends in the ammunition programs, as a result of the decreasing levels of funds.

Both witnesses make the point that ammunition and production base funding is too low in relationship to the needs, but is about as good as can be expected at the current funding levels.

Just as we heard from the CINC representatives recently, there are shortages in ammo needs. The statements also confirm that we are training out of our war reserve stocks. This practice may keep up training and readiness levels temporarily at the expense of sustainability. Unfortunately, if the ammo procurements are not increased, we will be putting ourselves at great risk in all the areas of readiness, training, and sustainability, with little or no production base ready to pick up the shortfalls.

PREPARED STATEMENT BY SENATOR STROM THURMOND

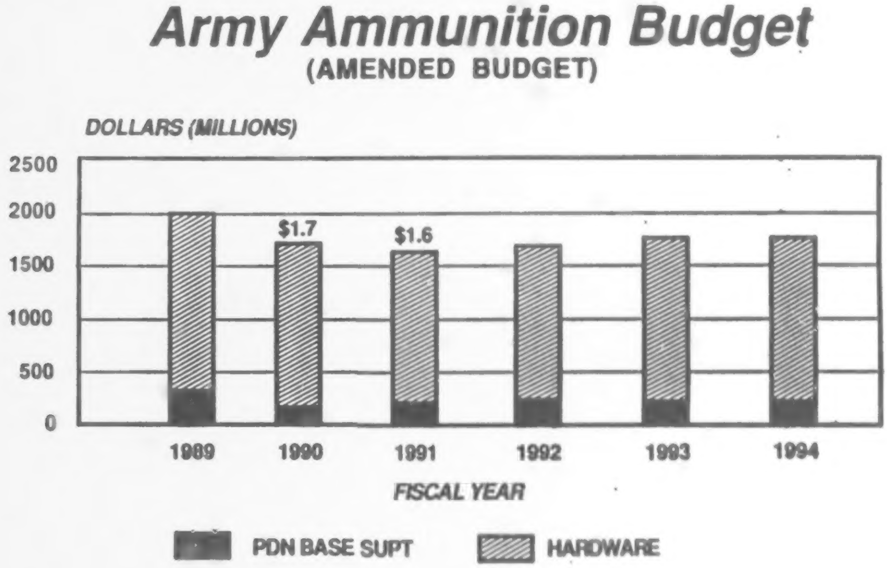
Thank you, Mr. Chairman. I join you in welcoming General Greenberg and General Bracken to this hearing on the Conventional Ammunition Program.

Admiral Hansen told this subcommittee last week that conventional ammunition is a key factor in determining the readiness and sustainability of our forces. I agree with him and congratulate you, Mr. Chairman, for holding this hearing to review this critical program. Despite the increased use of smart munitions and the emphasis on the modernization of the short-range nuclear weapons, conventional ammunition continues to be the mainstay for all spectrums of conflict. Our soldiers must have not only the right mix and quantity, but also the best quality to meet all threats.

Equally important is the need for maintaining the production base. I was pleased to hear both General Greenberg and General Bracken mention the need for funding this infrastructure and maintaining our manufacturing capability at the highest state.

STATEMENT OF MAJ. GEN. PAUL L. GREENBERG, USA DEPUTY FOR AMMUNITION, ASSISTANT SECRETARY OF THE ARMY FOR RESEARCH, DEVELOPMENT AND ACQUISITION

General **GREENBERG**. Yes, sir. Mr. Chairman and members of the subcommittee, I am pleased to provide the procurement of Army budget request for fiscal years 1990 and 1991.



Our request is approximately $1.7 billion in fiscal year 1990 and $1.6 billion in 1991 and it is for the procurement of ammunition end items and to support our ammunition production base.

Although lower than our fiscal year 1989 appropriation by approximately $308.2 million in 1990 and $439 million in 1991, we feel it is both equitable and balanced within the context of the total reduced Army budget submission. The program was developed to meet three imperatives:

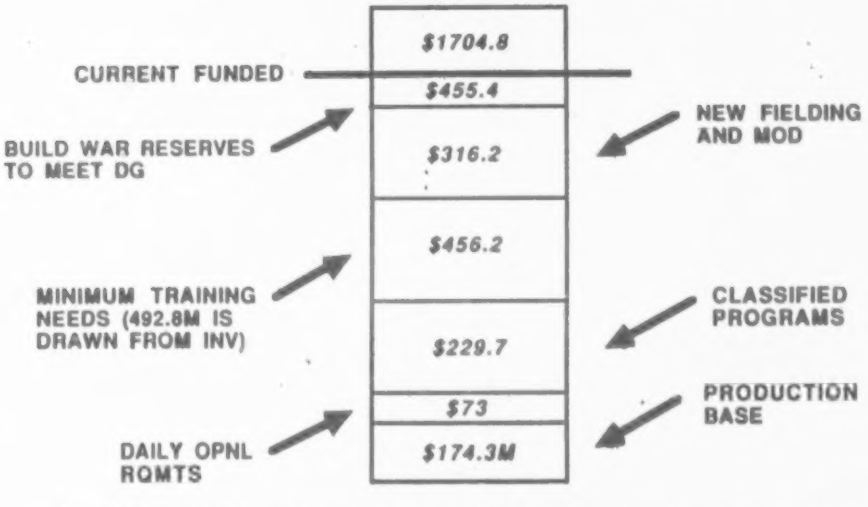
Operational Imperatives

- **NEAR TERM READINESS**
- **AMMUNITION MODERNIZATION BUILD-UP OF SELECTED WAR RESERVES**
- **MODERNIZATION OF BASE**

First, emphasis on near-term readiness with high priority on training support. Second, ammunition for emerging weapons systems and to modernize and strengthen selective war reserve inventories. And finally, funding to support and modernize our critical Government-owned ammunition production base.

Ammunition Program Construction Funding FY90

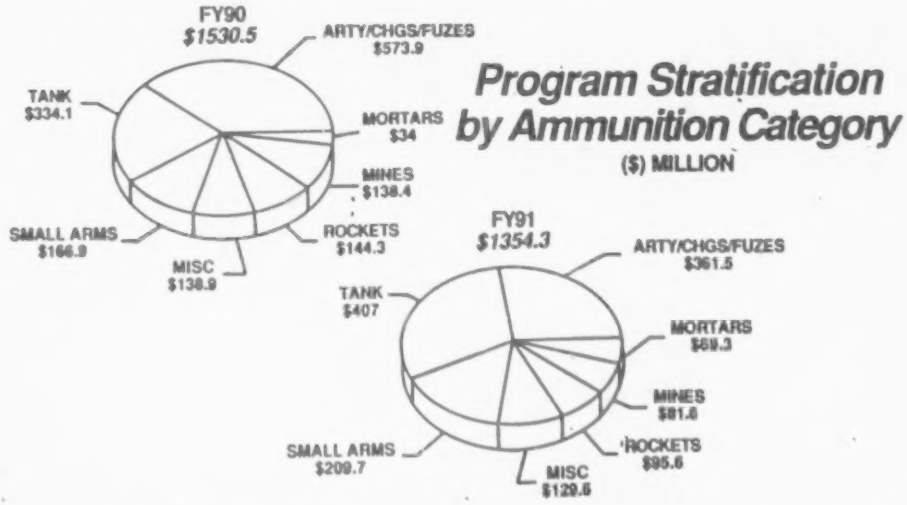
AS OF BUSH BUDGET AMENDMENT APR 1989



Our $1.7 billion fiscal year 1990 request, shown on this chart, consists primarily of production base support, which provides for and maintains active Government-owned production facilities, operational requirements, such as explosive, actuated devices and switches, classified advance tank main gun ammunition for our Armor Enhancement Initiative items, the purchase of ammunition to support training at the 100 percent of authorization level, an additional $492.8 million is drawn from inventory stock and expended for training, as well as that which we buy; fielding and modernization of new and existing inventories, such as mines and artillery rounds, and, finally, the building of minimum war reserve stockpiles.

To continue supporting the soldier in the field, reduced budgets mandate more than ever that we, as prudent stewards of public funds, fine-tune our emphasis on economies, efficiencies, and production base consolidation, while insisting on the highest quality, most effective ammunition. To that end, we have eliminated marginally effective systems from our request in favor of more capable follow-on rounds; added key warfighters to the inventory, and will buy back only those service rounds used for training that add a significant warfighting contribution to sustainability. Finally, reductions in the size of both our Government-owned and commercial active production base will be necessary.

To strive for the best balance within available funds, our request includes $1.5 billion for fiscal year 1990 and $1.4 billion in 1991 for procurement of ammunition end items to properly support worldwide training, and to continue to build inventories of selected war reserve items.


Program Stratification by Ammunition Category
($) MILLION

Requested funding for war reserve ammunition is primarily for modernization for war reserve inventories. A substantial portion of this request is for procurement of newly developed main gun tank ammunition, improved artillery rounds, modern mine systems, electronic fuze technology and small caliber ammunition.

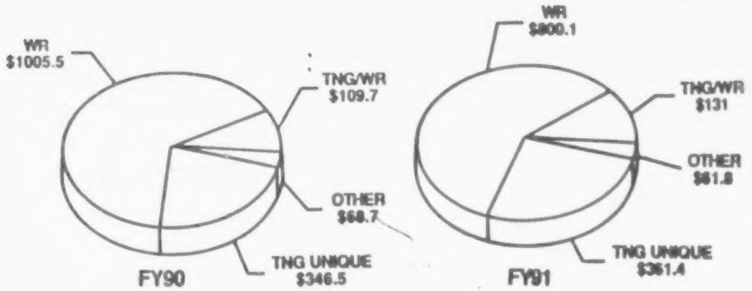
Modern main gun tank ammunition, developed under the Armor Enhancement Initiative, is a key ingredient of our anti-armor strategy. The M864 Baseburn artillery round provides a 60 percent extended range over its predecessor. The Volcano Mine System is a new generation addition to our family of scatterable mines, and will become the centerpiece of the Army mine program.

With introduction of the M762 Electronic Time Fuze, we will have moved further in our fuze modernization program and brought state of the art electronic technology to these critical components.

Small caliber ammunition procurement supports the infantryman's basic weapons, the M-16 rifle and Squad Automatic Weapon. This category also includes 25 millimeter Bushmaster for the mechanized infantryman, 30 millimeter ammunition for Apache, and 20 millimeter ammunition for the Vulcan and air defense system.

Program Stratification by Ammunition Usage

($) MILLION



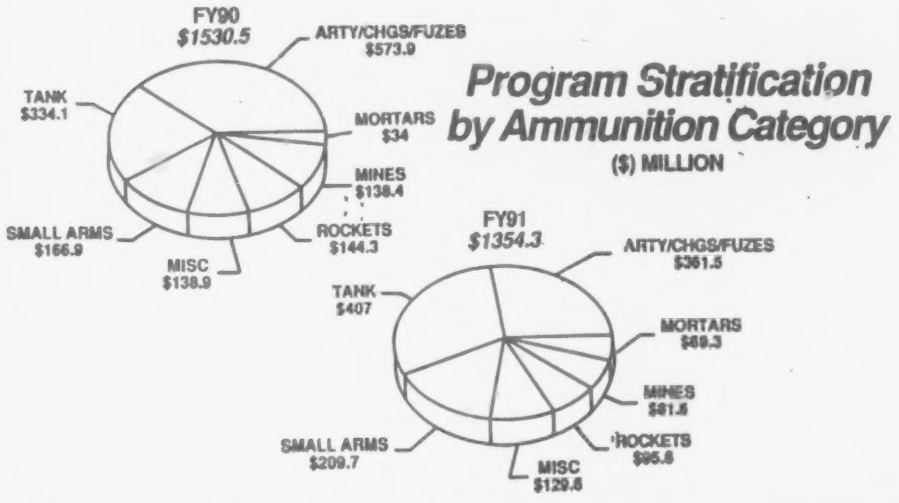
Training is supported by service ammunition; that is, the same ammunition used for war reserve, and "training unique" ammunition such as blanks, simulators and subcaliber rounds. As mentioned previously, the budget request contains approximately $456 million for ammunition consumed in training. The remainder, approximately $493 million, is drawn from war reserve stocks. Also shown are those portions of the budget which buy war reserves for inventory.

Training Support

($) MILLION

	FY88	*FY89*	*FY90*	*FY91*
TRAINING UNIQUE	$388.6	$356.9	$346.5	$361.4
TRAINING STANDARD	$105.9	$138.2	$109.7	$131.0
TRAINING TOTAL FUNDED	$494.5	$495.1	$456.2	$492.4
INVENTORY DRAWDOWN	$348.5	$393.9	$492.8	$488.6
TOTAL	$843.0	$889.0	$949.0	$981.0

Draw-down of war reserve items includes either older rounds no longer preferred for combat use or those that are near acquisition objectives. In this manner, stocks are rotated to maintain a modern stockpile.



Program Stratification by Ammunition Category

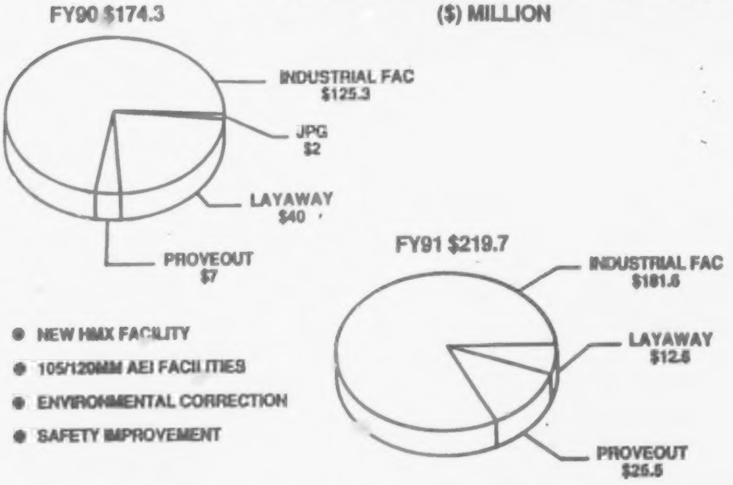
($) MILLION

Ammunition sustainability is a continuing concern as we assess the improved capabilities of our potential adversaries. To that end, we strive to invest our ammunition end item dollars for the greatest return in capabilities on the battlefield. Sustainability will be further addressed during the closed portion of the hearing, sir. Most of that information is, in fact, secret.

Senator Dixon. We will go to a closed portion later. Thank you.

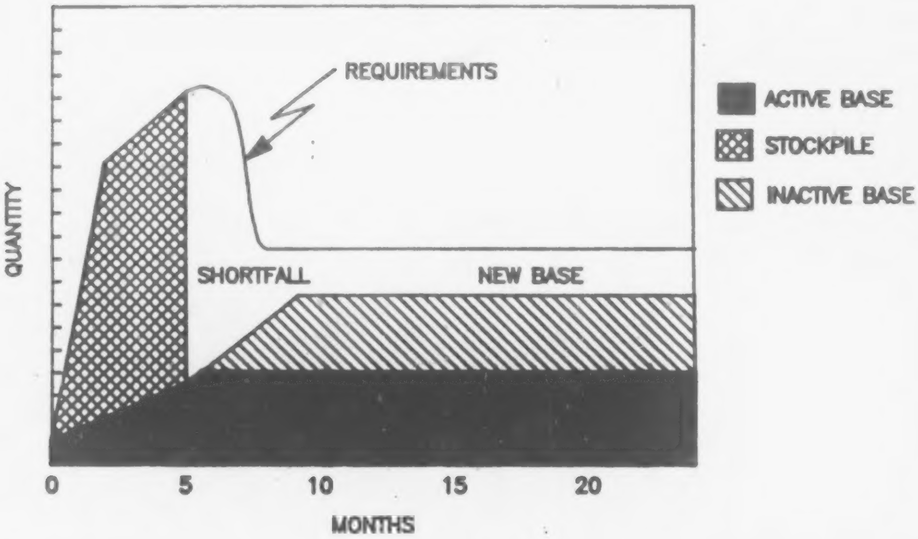
Ammunition Production Base

($) MILLION



General Greenberg. Turning now to the production base, we have requested $174 million in 1990 and $220 million in 1991 for this program. Specifically, these funds provide for peacetime production needs and maintenance of the active base. New facilities and modernization and expansion of existing facilities: Initial layaway of active facilities no longer required for peacetime production, and, of course, a key initiative in this program includes completion of a 3-year design effort and initial construction of a new high-merit explosive HMX facility, and support for the 105/120 millimeter tank Armor Enhancement Initiative facility. We are also asking for correction of environmental deficiencies at our ammunition plants in 1990 and limited safety improvements in 1990 and 1991.

THE SYSTEMS VIEW OF AMMUNITION
SUPPORT TO THE SOLDIER



Since we cannot now, nor for the foreseeable future, afford to stockpile all ammunition we would need to fight a sustained war, the production base, both active and inactive, remains the backbone of our ammunition sustainability planning. Our ability to surge production of active facilities and reactivate inactive facilities will determine our ability to meet projected mobilization requirements. Therefore, we view our production base, both government-owned and commercial, as a valuable asset, well worth our continual investment in maintenance and modernization.

Sir, this completes my opening statement and I have submitted a more detailed one for the record. Thank you.

[The prepared statement of Maj. Gen. Paul L. Greenberg follows:]

STATEMENT BY

MAJOR GENERAL PAUL L. GREENBERG

DEPUTY CHIEF OF STAFF FOR AMMUNITION

DEPARTMENT OF THE ARMY

UNITED STATES ARMY MATERIEL COMMAND

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

IT IS A PLEASURE TO APPEAR BEFORE THIS SUBCOMMITTEE TODAY TO DISCUSS THE ARMY'S AMMUNITION PROGRAM.

THE FISCAL YEAR 1990/1991 BUDGET REQUEST CONTAINS $1,704.8 MILLION AND $1,574.0 MILLION RESPECTIVELY FOR PROCUREMENT OF AMMUNITION END ITEMS AND SUPPORT OF THE AMMUNITION PRODUCTION BASE. THIS REQUEST IS $308.2 MILLION LESS IN FY 1990 AND $439.0 MILLION LESS IN FY 1991 THAN OUR FY 1989 APPROPRIATION. COMPARISON OF THE FY 1990/1991 REQUEST WITH PRIOR YEAR APPROPRIATED PROGRAMS IS AS FOLLOWS:

(Dollars in Millions)

FY 1987	FY 1988	FY 1989	FY 1990	FY 1991
$2,087.2	$2,273.6	$2.013.0	$1,704.8	$1,574.0

ALTHOUGH LOWER THAN OUR FY 1989 APPROPRIATION, THE FY 1990 AND FY 1991 REQUEST IS BOTH EQUITABLE AND BALANCED WITHIN THE CONTEXT OF THE TOTAL REDUCED ARMY BUDGET SUBMISSION.

TO CONTINUE SUPPORT FOR THE SOLDIER, THE REDUCED BUDGETS MANDATE MORE THAN EVER THAT WE, AS PRUDENT STEWARDS OF PUBLIC FUNDS, FINE TUNE OUR EMPHASIS ON ECONOMICS, EFFICIENCIES, AND PRODUCTION BASE CONSOLIDATION, WHILE INSISTING ON THE HIGHEST QUALITY OF AMMUNITION. TO THAT END WE HAVE ELIMINATED MARGINALLY EFFECTIVE SYSTEMS FROM OUR REQUEST IN FAVOR OF MORE CAPABLE FOLLOW-ON ROUNDS, ADDED KEY WARFIGHTERS TO THE INVENTORY, AND WILL SELECTIVELY REPLENISH WAR RESERVES USED FOR TRAINING BASED ON

SIGNIFICANT WAR FIGHTING CONTRIBUTION TO SUSTAINABILITY. FINALLY, CONSOLIDATION OF BOTH OUR GOVERNMENT OWNED AND COMMERCIAL PRODUCTION BASE WILL BE NECESSARY. FOR EXAMPLE, MISSISSIPPI AAP WILL SHUT DOWN AS AN ACTIVE PRODUCER BEGINNING IN FY90 AND ONE METAL PARTS PRODUCTION FACILITY AND ONE LOAD, ASSEMBLE, AND PACK FACILITY WILL BE LAID AWAY IN FY91.

BEFORE DISCUSSING THIS BUDGET SUBMISSION FURTHER, I WOULD LIKE TO BRIEFLY DESCRIBE HOW THE ARMY DETERMINES ITS AMMUNITION BUDGET REQUEST.

THE ARMY NEEDS AMMUNITION FOR BOTH WAR RESERVES AND TRAINING. WAR RESERVE REQUIREMENTS ARE BASED ON COMPUTER SIMULATIONS OF AMMUNITION CONSUMPTION BY APPROPRIATE FORCES DURING DIFFERENT CONTINGENCY SCENARIOS. PRECISE QUANTITIES OF AMMUNITION NEEDED FOR TRAINING ARE DETERMINED FROM CAREFULLY STRUCTURED TRAINING STRATEGIES REQUIRED TO ATTAIN AND MAINTAIN READINESS. THE TOTAL BUDGET IS THEN BUILT USING THE PROJECTED COST OF THAT AMMUNITION REQUIRED FOR BOTH WAR RESERVE CONTINGENCIES AND THAT AMMUNITION REQUIRED TO SUPPORT HIGH PRIORITY TRAINING FOR OUR SOLDIERS.

THE ARMY CONTINUES TO EMPHASIZE NEAR TERM READINESS THROUGH TRAINING SUPPORT AND THE BUILD UP OF WAR RESERVE INVENTORIES TO SUPPORT CONTINGENCIES. SUSTAINABILITY EFFORTS INCLUDE THE INTRODUCTION OF NEW TECHNOLOGY TO MODERNIZE THE AMMUNITION STOCKPILE, AND MAINTENANCE OF AN ACTIVE BASE UNTIL MOBILIZATION ACTIONS ENERGIZE AND EXPAND IT TO PROVIDE THE NECESSARY SUSTAINED SUPPORT. A BREAKOUT OF THE FY 1990/1991 BUDGET REQUEST FOR AMMUNITION END ITEMS AND PRODUCTION BASE SUPPORT IS AS FOLLOWS:

(Dollars in Millions)

	FY 1990	FY 1991
AMMUNITION END ITEMS	$1,530.5	$1,354.3
PRODUCTION BASE SUPPORT	$174.3	$219.7

AMMUNITION END ITEMS:

AMMUNITION END ITEMS PROVIDES FOR (1) PROCUREMENT OF MODERN AMMUNITION, (2) BUILDUP OF WAR RESERVE STOCKS TOWARD THE ARMY ACQUISITION OBJECTIVE, AND (3) WORLDWIDE TRAINING CONSUMPTION THROUGH THE FY 1991 FUNDED DELIVERY PERIOD. THE END ITEM REQUEST IS DIVIDED INTO THE FOLLOWING MAJOR ELEMENTS:

(Dollars in Millions)

MAJOR ELEMENT	FY 1990	FY 1991
WAR RESERVE	1,005.5	800.1
TRAINING	456.2	492.4
NON-HARDWARE	68.8	61.8
TOTAL:	1,530.5	1,354.3

FUNDING FOR WAR RESERVES ACCOUNT FOR 66 PERCENT IN FY 1990 AND 59 PERCENT IN FY 1991, WHEREAS FUNDING IN SUPPORT OF TRAINING IS 30 PERCENT IN FY 1990 AND 36 PERCENT IN FY 1991. THE NON-HARDWARE REQUEST FUNDS PROCUREMENT OF AMMUNITION COMPONENTS FOR MAINTENANCE, AND INITIAL AND REPLENISHMENT SPARES FOR NUCLEAR WEAPONS.

THE END ITEM REQUEST, BY CATEGORY, IS SHOWN BELOW:

(Dollars in Millions)

CATEGORY	FY 1990	%	FY 1991	%
SMALL ARMS	166.9	11	209.7	15
MORTARS	34.0	2	69.3	5
TANK	334.1	22	407.0	30
ARTY/CHGS/FUZES	573.9	38	361.5	27
MINES/COUNTERMINES	138.4	9	81.6	6
ROCKETS	144.3	9	95.6	7
MISCELLANEOUS	138.9	9	129.6	10
TOTAL:	1,530.5		1,354.3	

NOW LET'S ADDRESS EACH ONE OF THESE CATEGORIES SEPARATELY.

SMALL ARMS-

THE REQUEST INCLUDES $41.7 MILLION IN FY 1990 AND $56.9 MILLION IN FY 1991 FOR 5.56MM M16A2 AMMUNITION. IT ALSO INCLUDES $18.8 MILLION IN FY 1990 AND $21.6 MILLION IN FY 1991 FOR 7.62MM AMMUNITION USED IN VARIOUS MACHINE GUNS. $46.9 MILLION IS REQUESTED IN FY 1990 AND $25.5 MILLION IN FY 1991 FOR 40MM AMMUNITION, MOST OF WHICH IS FOR AMMUNITION USED IN THE MK19 GRENADE LAUNCHER. ANOTHER $23.5 MILLION IS REQUESTED IN FY 1990 AND $68.5 MILLION IN FY 1991 FOR 25MM AMMUNITION FOR THE BRADLEY FIGHTING VEHICLE.

MORTARS-

THE BUDGET REQUEST INCLUDES FUNDING FOR THE 60MM SMOKE AND 1/10 RANGE TRAINING ROUNDS, 4.2 INCH HIGH EXPLOSIVE, AND 120MM HIGH EXPLOSIVE AND SMOKE AMMUNITION. FUNDING REQUESTED FOR 120MM AMMUNITION SUPPORTS THE ARMY'S DECISION TO PROCURE THE 120MM MORTAR.

TANK-

THE REQUEST INCLUDES $186.1 MILLION IN FY 1990 AND $165.0 MILLION IN FY 1991 FOR 105MM AND 120MM TANK TRAINING AMMUNITION NEEDED TO SUPPORT ANNUAL TANK QUALIFICATION & FAMILIARIZATION FIRING FOR THE 105MM MAIN GUN CANNON MOUNTED ON TANK MODELS M1, M60 SERIES AND M48A5 TANKS, AND THE 120MM GUN SYSTEM ON THE M1A1 ABRAMS TANK. THE REMAINDER OF THE REQUEST IS FOR MODERNIZATION OF WAR RESERVE TANK MAIN GUN AMMUNITION.

ARTILLERY PROJECTILES, CHARGES AND FUZES-

THE REQUEST IS PRIMARILY FOR MODERNIZATION OF WAR RESERVE STOCKS OF 105MM AND 155MM ARTILLERY AMMUNITION. FUNDING REQUESTED FOR THE 155MM BASEBURNER PROJECTILE ACCOUNTS FOR 31 PERCENT IN FY 1990 ($178.7 MILLION) AND 25 PERCENT IN FY 1991 ($89.7 MILLION) OF THE TOTAL AMOUNT REQUESTED FOR ARTILLERY AMMUNITION. THE BASEBURNER IS AN IMPROVED CONVENTIONAL MUNITION (ICM) WITH A DUAL PURPOSE ANTI-MATERIEL/ANTI-PERSONNEL GRENADE

LOAD. IT DIFFERS FROM THE BASIC ICM ROUND (M483) IN THAT A BASE BURNER ASSEMBLY BLEEDS GASES OUT THE REAR OF THE PROJECTILE TO REDUCE DRAG AND EXTEND RANGE BY 60 PERCENT OVER ITS PREDECESSOR.

THE REMAINDER OF THE REQUEST FOR ARTILLERY AMMUNITION FUNDING INCLUDES THE 105MM HIGH EXPLOSIVE ROCKET ASSISTED PROJECTILE, 155MM ARTILLERY-DELIVERED MINE PROJECTILES, AND PROPELLING CHARGES, PRIMERS AND FUZES BALANCED TO PROJECTILE QUANTITIES. THE FUNDING REQUEST FOR THE M762 ELECTRONIC TIME FUZE WILL FACILITATE OUR FUZE MODERNIZATION PROGRAM AND APPLY ADVANCE ELECTRONIC TECHNOLOGY TO THESE CRITICAL COMPONENTS. THE REQUEST ALSO INCLUDES CONTINUING FUNDING FOR NUCLEAR AND BINARY CHEMICAL ARTILLERY ROUNDS.

MINES/COUNTERMINES-

THE REQUESTED FUNDING FOR VOLCANO - A HELICOPTER AND GROUND DISPENSED MINE SYSTEM, AND THE MODULAR PACKED MINE SYSTEM (MOPMS), ACCOUNT FOR 88 PERCENT IN FY 1990 AND 81 PERCENT IN FY 1991 OF THE TOTAL REQUEST FOR MINES/COUNTERMINES. THESE ARE SCATTERABLE MINE SYSTEMS AND CONTAIN BOTH ANTI-PERSONNEL AND ANTI-TANK MINES. THE REQUEST ALSO INCLUDES VOLCANO PRACTICE MINES AND THE MINE CLEARING LINE CHARGE (MICLIC) SYSTEM - A ROCKET DEVICE DESIGNED TO BREACH PATHS THROUGH ENEMY MINEFIELDS AND OBSTACLES.

ROCKETS-

THE REQUEST INCLUDES FUNDING TO SUPPORT PROCUREMENT OF THE HYDRA 70 FAMILY OF ROCKETS - HIGH EXPLOSIVE, SMOKE, ILLUM AND PRACTICE ROUNDS, AND THE LIGHTWEIGHT MULTI-PURPOSE WEAPON SYSTEM (AT-4). THE REQUEST ALSO INCLUDES FUNDING FOR THE RANGER ANTI-ARMOR WEAPON SYSTEM, WHICH IS BEING PROCURED FOR SPECIAL OPERATIONS FORCES.

MISCELLANEOUS-

IN THIS CATEGORY ARE ALL THE REMAINING AMMUNITION HARDWARE ITEMS IN THE BUDGET REQUEST. THIS INCLUDES SIGNALS, SIMULATORS, HAND GRENADES, DEMOLITION MUNITIONS, AND "NON-HARDWARE" FUNDING

AS DEFINED EARLIER (PAGE 4).

AMMUNITION PRODUCTION BASE-

THE AMMUNITION PRODUCTION BASE PROGRAM CONTINUES PRIOR YEAR INITIATIVES AND FINANCES PROJECTS NEEDED TO MEET PEACETIME PRODUCTION REQUIREMENTS AND MAINTAIN THE ACTIVE PLANT BASE. THE FOLLOWING SUMMARIZES OUR AMMUNITION PRODUCTION BASE REQUEST:

(Dollars in Millions)

	FY 1990	FY 1991
PROVISION OF INDUSTRIAL FACILITIES	125.3	181.6
LAYAWAY OF INDUSTRIAL FACILITIES	40.0	25.5
COMPONENTS FOR PROVEOUT	7.0	12.6
JEFFERSON PROVING GROUND	2.0	-
TOTAL:	174.3	219.7

PROVISION OF INDUSTRIAL FACILITIES PROVIDES FOR THE DESIGN, ACQUISITION, AND CONSTRUCTION OF NEW FACILITIES AND REDESIGN, REHABILITATION, EXPANSION, REPLACEMENT, MODERNIZATION, AND CONVERSION OF EXISTING FACILITIES. THIS CATEGORY IS ABOUT 72 PERCENT OF THE PRODUCTION BASE SUPPORT REQUEST IN FY 1990 AND 83 PERCENT IN FY 1991. KEY INITIATIVES IN THIS PROGRAM INCLUDE COMPLETION OF A 3-YEAR DESIGN EFFORT AND INITIAL CONSTRUCTION OF AN HMX FACILITY AND CORRECTION OF SAFETY AND ENVIRONMENTAL DEFICIENCIES AT OUR AMMUNITION PLANTS.

IN FY 1990 $40.0 MILLION IS REQUESTED FOR LAYAWAY THAT IS PROTECTION AND PRESERVATION OF EQUIPMENT AND FACILITIES AT VARIOUS LOCATIONS THAT ARE NO LONGER REQUIRED FOR ACTIVE PRODUCTION, BUT WHICH MUST BE RETAINED FOR FUTURE PEACETIME OR MOBILIZATION. THE SIGNIFICANT INCREASE OVER LAST YEAR ($19.6 MILLION) IS ATTRIBUTED TO $20.8 MILLION FOR INITIAL LAYAWAY OF MISSISSIPPI AAP. THE FY 1991 REQUEST OF $25.5 MILLION PROVIDES, AMONG OTHER THINGS FOR THE LAYAWAY OF ONE 155MM BASEBURNER PROJECTILE (M864) METAL PARTS LINE AND ONE LOAD, ASSEMBLY AND PACK LINE AT FACILITIES TO BE DETERMINED. FY 1991 CONTAINS NO ADDITIONAL FUNDS

FOR LAYAWAY EFFORTS AT MISSISSIPPI.

THE COMPONENTS FOR PROVEOUT LINE PROVIDES FUNDS TO CHECK OUT COMPLETED PRODUCTION FACILITIES TO ASSURE THAT (1) THE FACILITY IS CAPABLE OF PRODUCING AN ACCEPTABLE END PRODUCT, (2) THE MANUFACTURER'S WARRANTIES ARE MET, AND (3) THE FACILITY IS CAPABLE OF PRODUCING AT THE DESIGN RATE SPECIFIED.

THE FINAL EFFORT IN THE PROGRAM IS $2.0 MILLION IN FY 1990 FOR MODERNIZATION OF JEFFERSON PROVING GROUND TEST EQUIPMENT WHICH IS REQUIRED DURING PRODUCTION ACCEPTANCE TESTING ON ARMY AMMUNITION AND COMPONENTS. JEFFERSON HAS BEEN IDENTIFIED FOR CLOSURE IN THE COMMISSION ON BASE REALIGNMENTS AND CLOSURE REPORT. IF APPROVED, THE MISSION PERFORMED BY JEFFERSON WILL BE TRANSFERRED TO YUMA PROVING GROUND. THESE FUNDS WILL BE REQUIRED AT YUMA FOR SIMILAR UPGRADES. NO FY 1991 FUNDS WERE INCLUDED FOR JEFFERSON PROVING GROUND AS FY 1990 WAS THE FINAL PHASE OF THE MODERNIZATION EFFORT.

IN CONCLUSION I WOULD LIKE TO TAKE THIS OPPORTUNITY TO THANK THIS COMMITTEE FOR YOUR PAST SUPPORT OF THE AMMUNITION PROGRAM. HOWEVER WE NEED YOUR CONTINUED SUPPORT MORE THAN EVER TO MAINTAIN AND IMPROVE OUR READINESS. THANK YOU.

Senator **Dixon**. General, I hope the Senators will honor the rule about brevity as carefully as you did. Thank you very much. General Bracken.

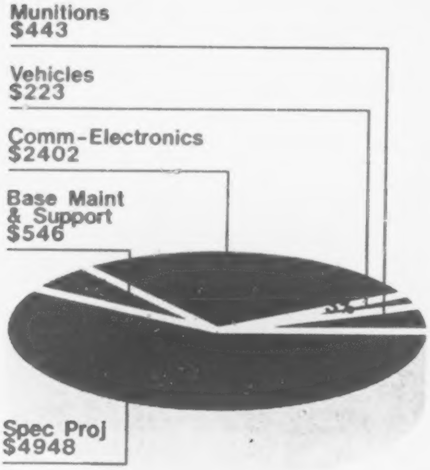
STATEMENT OF MAJ. GEN. EDWARD R. BRACKEN, USAF DIRECTOR, LOGISTICS PLANS AND PROGRAMS, DEPARTMENT OF THE AIR FORCE

General **Bracken**. Mr. Chairman, it is a privilege for me to be here today and appear before your distinguished committee to talk to you about our fiscal year 1990 budget request for the Air Force ammunitions.

Air Force

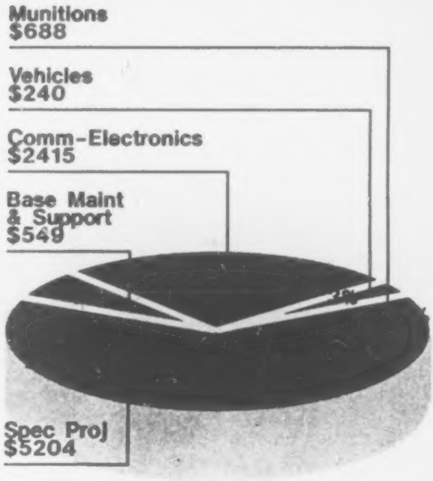
Other Procurement

FY90



$8,561.8 M

FY91

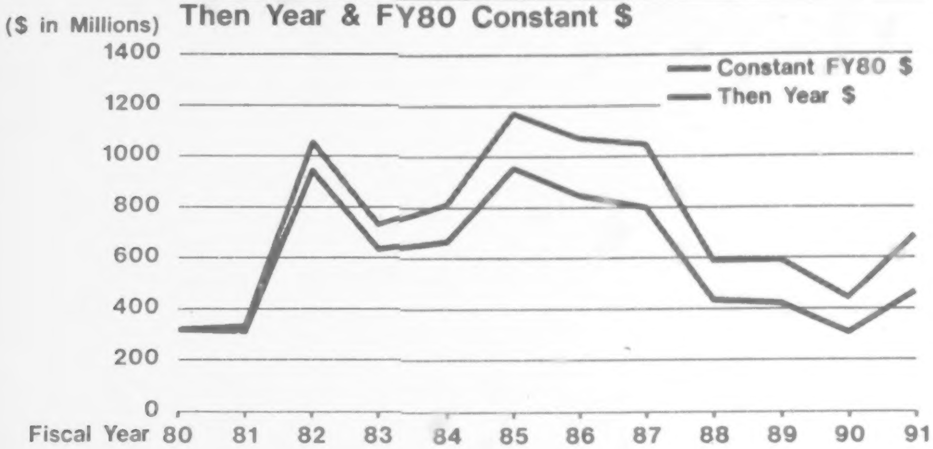


$9,096.2 M

Sir, our account is funded in the other procurement account, and in that account, we also fund vehicles, communication electronics equipment base maintenance and support and special projects. The overall funding in that account is about $8.5 billion in fiscal year 1990 and about $9 billion in fiscal year 1991. The special project portion of it is approximately $5 billion in each year. In fiscal year 1990, our munitions account reflects about 5 percent of the total account and about 8 percent in 1991, which is comparable to the 1989 request that was appropriated.

Munitions & Associated Equipment

Then Year & FY80 Constant $

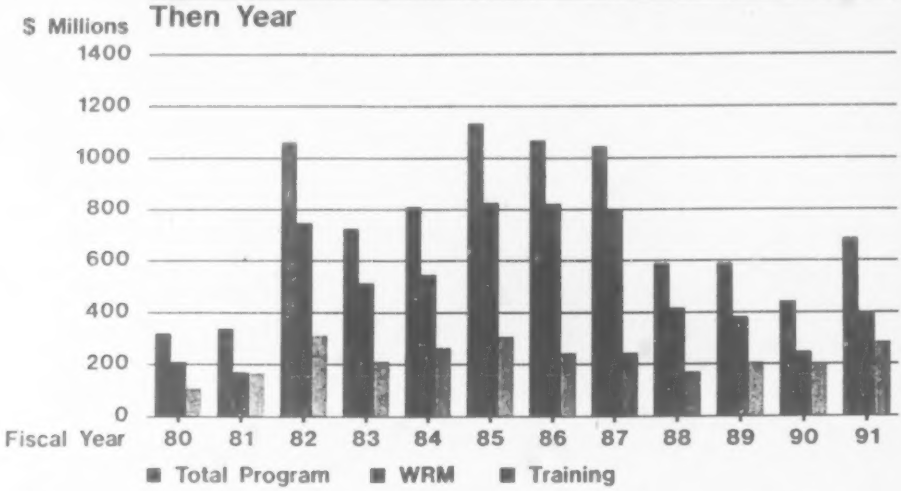


If you look at what has happened over the years from fiscal year 1980 through the fiscal year 1991 request, both in constant and then-year dollars, you will see some peaks and valleys in our finding. That may appear erratic, but in actual fact, it is a methodical approach as we transition from the preferred kinds of munitions that we can procure at the time and achieve our inventory objectives, and then move to new types of munitions.

As an example, in the fiscal year 1984 through 1986 timeframe, we were buying GBU-15s and GBU-24s, the Durandal the Gator, the CEM, combined effects munition, and the improved 2000 pound hard target munition. We reached the inventory objectives on most of those munitions and now we are in a transition period as we posture ourselves to bring new kinds of munitions on-line, like sensor-fuzed weapon, DAACM and Bigeye.

So our fiscal year 1990 request is smaller, but the account starts coming back up in fiscal year 1991 as the chart indicates.

Vision for the 90s
Munitions & Associated Equipment



Taking a different look at that funding profile, if you look at the total procurement of munitions over the period of interest, you will see again, peaks and valleys in that account. However, this chart indicates that the changes are driven by the WRM munitions, the munitions that we are buying to sustain the force during war. And if you look at the training portion it is fairly constant over the timeframe in question.

Munitions & Associated Equipment Program Summary

($M)

	FY88	FY89	FY90	FY91
Training	170.4	207.3	190.5	258.4
War Reserve	418.1	384.3	249.8	402.3
Seek Eagle			2.3	26.6
Misc Equip	.9	.9	.8	.8
Total	589.4	592.5	443.4	688.1

I have three of four slides here that will look at the account from different perspectives. You can see that our training munitions portion in fiscal year 1989 was financed at about $207 million, dropping down to $190 million in fiscal year 1990 and then increasing to $258 million in fiscal year 1991.

Basically, the drop in fiscal year 1990 was an affordability issue, sir, as we tried to size down our budget and balance the munition accounts with the other critically important accounts in the Air

Force. Our objective was to support the readiness goal that our Chief and Secretary has asked us to do. This was done at the expense of force structure and modernization to some degree, as well as giving up some sustainability. Nonetheless, we have some modest sustainability improvements, but the Chief is concerned, as we all are, with living within the dollars that are available to us in the Defense Department. And he is also concerned about deficit reduction.

In the war reserve account, the swing from the $384 million appropriated level in fiscal year 1989 to the $402 million level in fiscal year 1991 with a decline to $250 million in fiscal year 1990, result from the transition issue that I talked about earlier, as well as, what we could afford in the sustainability area.

Munitions & Associated Equipment Funding

($ in Millions)

Category	FY88	FY89	FY90	FY91
Rkts & Launchers	29.1	25.1	27.4	31.4
Cartridges	122.4	127.7	111.0	136.4
Bombs	334.7	354.9	220.9	426.9
Targets	0	1.3	0	0
Other Items	68.0	51.4	39.6	46.1
Fuzes	28.8	30.1	26.5	45.3
Weapons	6.4	2.0	18.0	2.0
Total	589.4	592.5	443.4	688.1

If you turn to the categorization of those munitions that we are buying, we have aggregated training and WRM and are looking at different stratification of the account, i.e., rockets, cartridges, bombs, targets, other items and fuzes; you will see that the biggest change is in the bombs category.

More specifically, where we have fallen off in the 1990 request is in the area of practice bombs such as, BDU-50s, which are the MK-82 500-pound training munition. We are not requesting funding in fiscal year 1990. For any 2,000-pound empty bomb bodies, MK-84 empty bombs, which we would fill with vermiculite so that our aircrews could train with the heavyweight munitions. Also, we did not request any I2K bombs, the improved 2,000 hard target munition because we had some programmatic problems with that item; in terms of the bomb body. Specifically the lug we had some fuze problems; and we had some pallet problems. The pallets are used to package these bombs for shipment. We have those rectified or will have these issues rectified shortly so that we can pick up the procurement of that item in fiscal year 1991. We also will buy some BDU-50s, and some MK-84 empty bombs in fiscal year 1991 as well. So those three bombs, in themselves, contribute to a $60 million swing from fiscal year 1990 to fiscal year 1991.

The CEM funding level decreases in fiscal year 1990, by about $95 million. That contributed substantially to reducing our procurement request in the fiscal year 1990 column as well, but as we move to fiscal year 1991, we will be bringing on-line the sensor fused weapon, which is an anti-armor munition. We will ramp-up procurement of the Bigeye munition in fiscal year 1991 and the I2K, or the improved 2,000 pound bomb, again in fiscal year 1991.

Munitions & Associated Equipment FY89 ($ in M)

WRM	FY90		FY91	
Weapons	$(M)	Qty	$(M)	Qty
CEM	156.6	11,537	141.6	10,425
FMU-139	25.1	36,213	44.0	47,392
GBU-15	13.8	-	27.3	-
BIGEYE	6.9	-	60.7	Classified
SFW	-	-	94.7	65
2000LB HT	-	-	27.2	2037
Training				
30MM TP	58.7	7,082 K RDS	58.7	7,086 K RDS
Prac Bombs	27.8	1,585 K	67.5	1,613 K
2.75" RM	15.6	68,491	15.2	65,841

Our major procurements in the fiscal years 1990–1991 time frame are as listed on the chart. We plan to spend $156 million on CEM, and I will talk about that more on another slide. We continue to request the FMU-139, which is a joint program with the Navy. We use that bomb fuze for the laser-guided bombs that are in our inventory as well as the general purpose bombs. GBU-15, we are buying an improved data link and also integrating the improved 2,000 pound bomb with the GBU-15 which will give us another option for precision-guided, hard target kill capability. We have this capability with GBU-24 right now, but we need to have this capability with the GBU-15 weapon. It provides us a stand-off weapon that is guided by the operator in the airplane using the data link after the weapon is released.

Bigeye, we have a small amount of funding in fiscal year 1990. We have complied with the congressional direction given in fiscal year 1989 to perform additional testing on that munition. The test assets that we are buying are inert.

Senator **Dixon**. Let me interrupt you at that point. We have gone through that debate every session with my friend from Arkansas. Now, have you satisfied him or are we going to go through this all again?

General **Bracken**. Sir, I think we have satisfied him. I think we have got a good testing program for that particular munition. We are going to do the additional testing and we will let the GAO come in and certify that we are ready to go to production. The assets that we are requesting funds for in fiscal year 1990 are inert items that——

Senator **Dixon**. I am not going to belabor it with you, General, but let me just tell you right now, I think we lost it last time, did we not?

Senator **Shelby**. No, sir, we did not lose it.

Senator **Dixon**. It was close.

General **Bracken**. These munitions we are buying in fiscal year 1990, sir, are to certify the bomb from the delivery platform. Fiscal year 1991 is when we start production.

Senator **Dixon**. OK, I am not arguing with you, General. I would only like to caution you that, you know, we spent the better part of the legislative day twice on that. I wish you would get my friend from Arkansas halfway satisfied, because the DOD authorization bill is enough of a drag on the floor, I am usually assistant manager and I would like to not have the Bigeye argument again this year. If you can get that solved before we get to the floor, I would appreciate it. That is all I am saying.

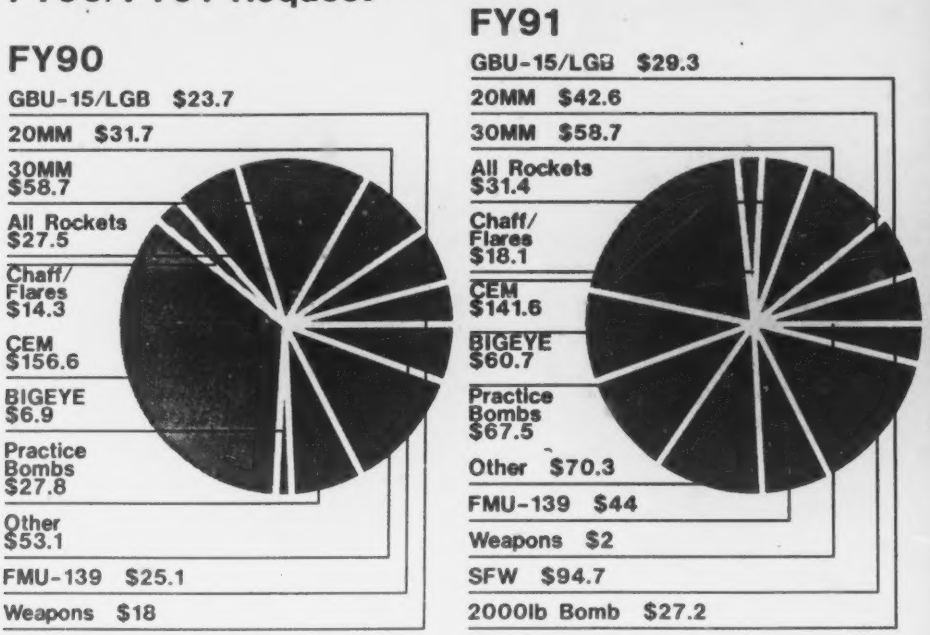
General **Bracken**. Actually, sir, we are not asking for funds to produce lethal weapons until fiscal year 1991.

Senator **Dixon**. Pardon me for interrupting.

General **Bracken**. No problem, sir. The sensor fused weapon, we will begin production, low-rate initial production, in fiscal year 1991.

Munitions and Associated Equipment

FY90/FY91 Request



The next slide just shows a different way to look at all of the dollars, sir, and this slide is for information purposes. I do not intend to brief all of those items on there; it highlights key munitions.

Combined Effects Munition

	FY90		FY91	
	Qty	$(M)	Qty	$(M)
All-up Rounds	11,537	136.6	10,425	$126.6
Advanced Proc	-	20.0	-	15.0

Acquisition strategy

- Competitive multiyear procurement (FY90-93)
- Economic production rate for one producer
- Down selection in FY90
- Cost savings derived from economic procurement of long lead components
- Mid-term objectives achieved by FY93 FDP

Turning to CEM, the combined effects munition, it has been a very good program for us. We planned to down-select to one source in fiscal year 1989. However, the language in the fiscal year 1989 appropriations conference report did not allow us do that. Instead, we were required to provide the Congress with our acquisition strategy if we planned to down-select. We did this in February of this year.

We sent a letter to you, all four committees, indicating that we are going to down-select in fiscal year 1990 and that we will have a multi-year program. We have planned the multi-year for a 4-year period, starting in fiscal year 1990, and we will buy out the program in fiscal year 1993, it will be our last procurement. We will have reached our sustainability objectives by fiscal year 1993 and I will talk about that in closed session.

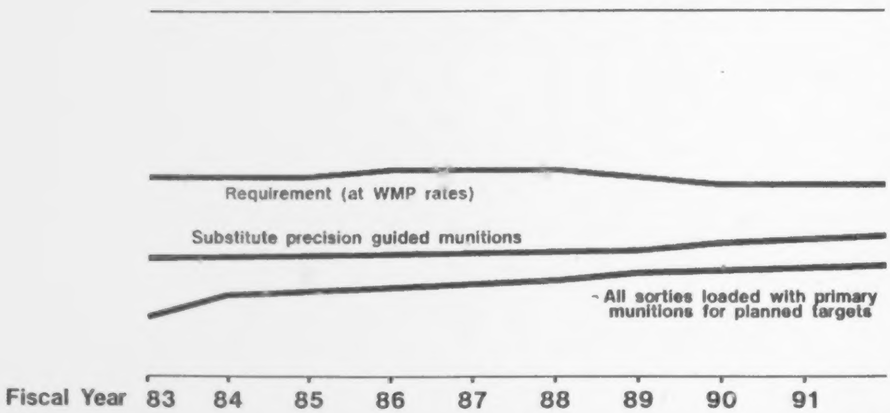
But it is a multi-year program with advance procurement funds. There is $136 million to buy the munitions in fiscal year 1990 and is $20 million in fiscal year 1990 and $15 million in fiscal year 1991 for advanced procurement that will let us obtain the required cost savings. We believe that by going to multi-year procurement and down-selecting to one vendor, we can save about $63 million. And I would be glad to answer any questions on that, if you have any. I will talk about the sustainability objects that we reach in closed session.

Selected Item Sustainability Status

Weapons	O/H 30 June 88	O/H FY89 FDP	O/H FY90 FDP
20MM (KRDS)	27,828	29,579	29,191
2000LB HT	1,147	8,939	8,939
CEM	19,520	85,120	96,458
MJU-7	813,322	1,290,553	803,585
B1B Flare	140	2,275	8,265
MJU-10	0	587,585	553,423
FMU-139	75,640	207,755	238,116

Sir, this slide is unclassified and I can talk to a classified version of closed session in the regard to the inventory objectives, but this slide indicates what we will have at the end of the funded delivery period in fiscal year 1990 for the various weapons. I will talk more about how well we meet inventory objectives based on that.

Tactical Munitions Sustainability FY90/91 President's Budget Revision



The next slide is also unclassified. I will have a classified one for the closed session. Nonetheless, this slide shows you what we will be doing in terms of long-term sustainability and how well we are able to support the tactical Air Forces with respect to munitions, as well as spares and POL, because I think we need to keep those things in balance, sir. If we have a position where we have too many munitions and not enough spares, it does not do us any good. And conversely, if we have too many spares and not enough munitions, that is not the right posture to be in. We have worked very hard in our fiscal year 1990 submission to have balance across the entire spectrum of logistics that we use to support our war forces.

Munitions Management Issues

- Funding/program stability
- Multiple-year procurements
- Lead times
- Alternate source development
- Production base protection
  - GOCO/GOGO
  - Commercial

There are also management issues, sir, that we are looking at, and I will just step through these real quickly. Funding and program stability is important for us. It is critical for the training munitions to prevent a dramatic fluctuation in our asset availability. It is important for the production base as it provides an incentive for the private sector to invest. Multi-year programs are important for those large programs that make sense, where there are adequate funds and quantities involved. Lead time, we are working with the Army to reduce lead times; making sure that we get the dollars and the data to the Army, who is our acquirer in most cases, so that we do not compound our acquisition problems. And we are also helping them look into contractor performance.

We want to develop alternative sources on large programs as well, and production base protection is important to us, to include the Army investment in the production base. The investment made on CEM is a good example of this, particularly the plant in Kansas. I think that we have achieved some significant cost-savings for the taxpayer based on that investment.

Summary

- Readiness
  - Most training requirements supportable
  - Shortfall in heavyweight training bombs
- Sustainability
  - Gradual but continued growth
  - Focus on selective capability improvement
  - Further modernization commences in FY91
- The future
  - Declining fiscal levels, difficult choices
  - Stabilize funding/programs
  - Attain production efficiencies
  - Continue inter-service dialogues

And finally, sir, in summary, I think we have structured our program to focus on readiness. We have satisfied our most important training requirements. We do have some shortfalls in heavyweight training bombs, but it is an affordability issue, we have increased our BDU-33 request, which is a training munition that will compensate somewhat for the shortfall. Sustainability, we have gradual growth in that area; and, in fact, our fiscal year 1990-fiscal year 1991 buy will let us add approximately 6,000 sorties of capability to the tactical Air Forces, allowing them to drop preferred munitions as opposed to the direct attack munitions.

The future includes declining fiscal levels. We are going to have to face some difficult choices. We are trying to stabilize our funding programs. We are sensitive to the Army's production base and getting good efficiencies out of that production base and we are really working hard with the Army on a good interservice dialog so that we do not cause additional procurement and production problems, sir. That concludes my statement.

[The statement of Maj. Gen. Edward R. Bracken follows:]

STATEMENT OF: MAJOR GENERAL EDWARD R. BRACKEN
DIRECTOR LOGISTICS PLANS AND PROGRAMS
DEPUTY CHIEF OF STAFF/LOGISTICS & ENGINEERING
HEADQUARTERS, UNITED STATES AIR FORCE

CLEARED
FOR OPEN PUBLICATION
MAY 15 1989

Mr Chairman and Members of the Committee

I welcome this opportunity to appear today to discuss the Air Force's Munitions and Associated Equipment Budget Program that is included in the amended FY 1990/1991 Biennial Budget request within the Other Procurement, Air Force Appropriation.

By way of an introduction, the Munitions and Associated Equipment budget program provides for the procurement of all conventional munitions (except guided missiles) and associated equipment, including weapons, needed to support active Air Force, Air National Guard, and Air Force Reserve requirements.

As regards these requirements and the related funding to support them, it is evident that the FY 1990/1991 budget request provides a striking dichotomy, that is, the FY 1990 program continues the downward trend in funding that commenced in FY 1988, while the FY 1991 program represents the beginning of an increase, though not at the same levels as during the Reagan build-up. The FY 1990 program funding request is 25% less than the current FY 1989 program. The FY 1991 program represents however, a growth of 36% over FY 1990. From first glance, this appears to be a major down turn in munitions funding, foretelling severe consequences in the future. Yet, when placed in a historical perspective, this downward trend appears to be less drastic and menacing. It is part of a normal cycle of attaining a sufficient level of war reserve items and maintenance of training ammunition at a relatively static level, just before new weapons are introduced to meet evolving threats. Furthermore,the funding request focuses on selected weapons that will increase our capability, particularly in the area of standoff munitions.

When viewed over several years it becomes apparent that munitions funding is in one of its periodic troughs. This is not a new phenomenon. It occurred in the FY 1983-84 timeframe as well. It is however, different in three respects. First, the change from the FY 1987-90 is more dramatic because of the significant funding levels in FY 1982 and FY 1985-87. In FY 1982, the Air Force filled its pipeline/stock levels with items in production to achieve higher levels of war reserve stockage while ensuring suitable levels of training munitions were available. Fiscal Years 1985 to 1987 represent the years of substantial modernization. It is during this period that the Air Force procured such items as the GBU-15 and GBU-24 precision guided bomb systems, the Durandal runway attack weapon, and the CBU-89 (Gator) weapon. Most of these programs were concluded in FY 1987, only the well-regarded Combined Effects Munition remains as a vestige of this period. The second reason for the difference is related to how quickly the new weapons enter into production. We have experienced delays with the Sensor Fuzed Weapon (SFW) and the Direct Airfield Attack Combined Munition (DAACM). As a result, the munitions budget remains at a relatively low funding level until these items are approved for production and ramp-up to a significant production rate. The third reason results from the MJU-10/B infrared countermeasure flare and the Improved 2000 pound hard target bomb programs; both experienced programmatic delays and as a result, need a year to synchronize production of essential components. These programs have been curtailed in FY 1990 until these problems are rectified. It would be imprudent resource managment to do otherwise.

The munitions request is composed primarily of two major categories: training and war reserve munitions. Dividing the program into these two major elements provides a more specific illustration of what is occurring in FY 1990 and FY 1991. The funding for training munitions decreases 8% over the FY 1989 appropriated level, while the war reserve munitions funding declines 35%. When the FY 1991 program is added, both areas show considerable growth, though the war reserve funding increase is more substantial, approximately $153 million more than the FY 1990 level.

Nonetheless, the FY 1990 and 1991 programs continue our efforts to modernize our war reserve munitions stockpiles. These munitions meet the same standards as those introduced in the mid-1980s, i.e., they are able to destroy high value targets, are flexible enough to be used against multiple targets, and incorporate major reliability and maintainability features.

Maximizing our standoff capability while ensuring a versatility of employment in weapon systems is contained in our FY 1990 program. The GBU-15 precision guided bomb system will be enhanced by two distinct projects. The first is the improved data link (IDL) which upgrades the current AN/AXQ-14 data link, to provide greater resistance to enemy jamming. The second project is the GBU-15/Improved 2000 pound hard target bomb integration kit. This kit has a number of metal pieces and spacers that allow a GBU-15 guided bomb system to be mated to an Improved 2000 pound bomb. This project, in particular, will expand our hard target capability by providing us a second guided bomb system (the other is the GBU-24A/B), that can be utilized for attacks against hardened targets, such as command and control bunkers and other reinforced sites.

The other major objective in procuring advanced munitions is to strengthen our capability to destroy high value targets such as armor. This objective will be addressed in FY 1991 when we initiate low rate initial production of the Sensor Fuzed Weapon (SFW). SFW is a cluster munition designed for direct attack against armored targets such as tanks, infantry fighting vehicles, self-propelled artillery as well as wheeled vehicles.

In addition to these efforts, we continue to procure the Combined Effects Munition. Unlike past acquisitions, beginning in FY 1990 we are requesting funding for a competitive, four-year multiyear procurement at an economic production rate for one producer. The down selection to a single prime contractor is scheduled for FY 1990 as we notified the committee in February 1989. As part of the CEM program, we are requesting advance procurement funds in the FY 1990-92 period to obtain economic order procurements of long lead time components which will generate the required cost savings.

The other major bomb program will be Bigeye. Although funded at only $6.9 million in FY 1990, its importance cannot be dismissed. It is essential to maintain program continuity until all weapon tests, mandated by the FY 1988 Defense Authorization Act, are completed and full rate production approval is granted. We expect this approval to be given in time for the FY 1991 buy. Therefore, we are requesting $60.7 million in FY 1991 to begin production at a higher rate.

In summary, our war reserve munitions request addresses the need to continue the gains we have made toward obtaining our inventory objectives and to maintain, where possible, a warm production base in the event of mobilization, contingency operations or war. Although the war reserve portion of the request has decreased, this reduction should not be interpreted solely on the basis of munitions sustainability. Our program may not be as robust as in previous years, but it does make a contribution to preparedness within the constraints of affordability and is consistent with the balanced support posture we seek to achieve. We had to make some trade-offs, but we made sensible decisions that maintain the substance of the war reserve munitions portion, which is a viable production base with gradual and continuous advancement toward sustainability goals as specified in the Defense Guidance. We cannot afford to neglect these two aspects, but at the same time, we have to ensure that other production bases which produce critical components are healthy, and that we do not allow munitions to outstrip other important sustainability elements such as aircraft spares and fuel. It is of small value to have a significant stockage of munitions but insufficient spares and fuel which prevent us from generating sorties to employ these weapons.

The other major segment of the munitions request is for training munitions. These munitions support peacetime training of aircrews and various security and ground base defense personnel such as security police, explosive ordnance disposal specialists, and civil engineering personnel operating in a combat environment. The munitions provide for initial training as well as upgrading and maintaining the proficiency of qualified personnel. Not only do these training munitions ensure individual and organizational readiness, but are an important part of overall preparedness. In some cases, such as 30mm training ammunition, these training munitions are the means by which we maintain a warm production base.

Although the request for training munitions is smaller than in previous years, though not as small as the FY 1988 program, it does provide for a significant part of all forecasted aircrew and ground personnel training programs. Unfortunately, as was the case in FY 1988, the funding does not support 100% of all projected training requirements. We may be forced to draw down some pipeline and unit stock levels to 30 days if forecasted consumption materializes.

The largest impact is in the practice bomb area, particularly heavyweight ordnance such as the BDU-50 and MK-84 empty bombs. These programs are less than optimal in terms of providing our pilots with realistic training, however, we have compensated for this shortfall by requesting more 25 pound BDU-33 practice bombs than in FY 1989. The BDU-33 is not a true replacement for the 500 pound BDU-50 or 2000 pound MK-84 practice bomb in that it does not have the same aerodynamics or similar effects on aircraft performance. The BDU-33 does simulate however, the ballistics of a general purpose bomb.

Part of the trade-off is economic, the BDU-33 unit cost is $15.00 versus more than $300 for a BDU-50 or $1500 for a MK-84 empty bomb. The other reason is the current production capacity. Presently, the MK-84 bomb body for the live and empty versions is made by the same vendor. This producer is still producing MK-84 bodies from prior year procurements. The Army Single Manager for Conventional Ammunition's (SMCA) has searched for a second source but to date has been unsuccessful. Our joint view is that until we formulate a long-range stable acquisition strategy that will make it financially attractive to other manufacturers to invest in tooling to produce this item, we will not secure a second source.

I believe this last point represents one of the crucial challenges we will have to address in the near-term as a result of smaller munitions budgets. To better prepare for the reduced budgets, the Services have met frequently to discuss issues such as procurement planning, leadtimes, production base workloading and unfilled orders. Additionally, I meet with my Army counterpart periodically to discuss and resolve Air Force concerns. However, these meetings can only lay the foundation for intelligent, effective procurement strategies. We must have the support of DOD and the Congress if we are to be successful in achieving maximum sustainabflity gains at the least cost.

There are several issues involved under the umbrella of acquisition management. I alluded to one earlier - the need for stabilized funding to provide contractors incentive to invest in tooling and other production equipment. To achieve this end, we have started a dialogue with the Army regarding the use of contracts with outyear options, possibly running three or four years. This approach has also been the subject of recent Defense Acquisition Board meetings because it provides a mechanism to achieve the greatest leverage in the use of funds.

Another major issue is the use of Total System Performance Responsibility (TSPR) versus component breakout. TSPR is a concept we have used on the Combined Effects Munition with some success and it is credited with providing substantial benefits, particularly with complex systems. The component breakout strategy calls for the Government to procure the components from vendors and provide them to an Army Goverment-Owned, Contractor-Operated (GOCO) or Government-Owned, Government-Operated (GOGO) facility for assembly. Under this concept the Government accepts responsibility for assembly and assumes the risk for performance problems. TSPR requires the contractor to assume responsibility for performance, rework or replacement costs and late deliveries. Further, the contractor warrants performance of the system after acceptance by the Government. It is our intent to require contractors to warrant essential performance on future complex munitions such as the Sensor Fuzed Weapon.

A third related issue is the development of alternate or second sources. This approach requires a commitment from the Air Force that procurement funding and program size is large enough to justify a second source. This is a commitment we believe is worth making early so that a qualified second source is available to offer competition. This approach was used with the Combined Effects Munition and proved very effective. We are planning for Sensor Fuzed Weapon to be a candidate for this type of support in the outyears. We are about to release a pre-qualification RFP to select prospective contractors for this purpose.

Another issue is protection of the production base. The SMCA and the Services are continuing the initiatives begun in the past few years such as conducting annual procurement planning conferences and consolidating procurements, where possible, to achieve economies of scale. Prices are likely to be higher, but in most cases not dramatically so. Nonetheless, we must recognize that with declining munitions budgets across all the Services that there will be an impact on the industrial base and particularly on the GOCO/GOGO facilities. Since a number of our programs are procured through the SMCA, most of the prices we pay are calculated as part of the Conventional Ammunition Working Capital Fund (CAWCF) process. The CAWCF is similar to any other working capital fund in that any gain or loss to the fund is passed on to the customer in increased or reduced prices. These prices are contingent on workload levels and several other variables such as overhead. As munitions budgets become smaller there are fewer programs to spread these costs over, therefore the cost to the customer increase. In FY 1989 for example, the Services enjoyed the benefits of a prior year operating gain in the CAWCF. This resulted in a negative surcharge, and lower unit costs. Unfortunately, this is not the case in FY 1990 and we are faced with higher prices and smaller quantities. It is for this reason that we are interested in the ammunition plant workload and the efficiency of plants. Initiatives, particularly funding, which assist the ammunition plants in performing their work more efficiently benefits us and the other Services.

Equally important to us is the issue of the commercial base. The Air Force has been a strong advocate of considering mobilization requirements as part of procurement planning. In some cases, this has led to restriction of contracts to mobilization producers only. This may have detrimental affects since it prevents other capable producers from competing for the contract. We have already begun discussions with the Army to minimize these instances since they provide disincentives to competition and provide guaranteed quantities to a select few. This is particularly true for training munitions where the mobilization factor is not critical and the contract should be open to any North American producer.

Now I would like to briefly discuss some of the specifics of our FY 1990/1991 request. The types of munitions requested for FY 1990 and FY 1991 include a variety of items such as rockets, small arms and aircraft cannon ammunition, practice and lethal bombs, infrared countermeasure flares, and weapons. Our request contains funding for 35 specific program lines as well as more than 60 other items for which the request is less than $2 million for each item. The unit cost shows great variance also, ranging from a few cents per round for small arms ammunition to several thousands of dollars for more complex items such as the Combined Effects Munition and the Sensor Fuzed Weapon. The majority of these items are managed by the Air Force Logistics Command, but are procured by the Army Single Manager for Conventional Ammunition under the provisions of the related charter. The Air Force uses Military Interdepartmental Purchase Requests to identify requirements to the Army. As I mentioned earlier, these items are priced through the CAWCF.

All the items in the request are contained in one of seven categories. The following table illustrates these seven categories and shows that with the exception of the rockets and launchers and other weapons segments there are no increases in FY 1990. However, there is significant program growth in FY 1991 in general, and specifically in the bomb category as the Sensor Fuzed Weapon enters production and the Bigeye achieves full rate production.

MUNITIONS & ASOCIATED EQUIPMENT
($ IN MILLIONS)

	FY 89	FY 90	FY 91
RKTS & LAUNCHERS	25.1	27.4	31.4
CARTRIDGES	127.7	111.0	136.4
BOMBS	354.9	220.9	426.9
TARGETS	1.3	0	0
OTHER ITEMS	51.4	39.6	46.1
FUZES	30.1	26.5	45.3
OTHER WEAPONS	2.0	18.0	2.0
TOTAL	592.5	443.4	688.1

I will now address each of the seven categories in greater detail.

ROCKETS & LAUNCHERS

The funds requested in this category are for 2.75 inch rockets, warheads and motors, and various rocket components. Most of the programs have remained at a stable level. The funding increase resulted primarily from the 2.75" rocket motor program which experienced problems last year when the ammunition plant that manufactures the propellant grain exploded. This problem has been resolved and the FY 1988 and FY 1989 deliveries are expected to be made within the funded delivery period; FY 1990 production should not be adversely affected. The increase to this line, $5.6 million, is in consonance with the historical funding level for this item.

CARTRIDGES

This category consists of various types of items including small arms ammunition, aircraft cannon ammunition, grenades fired from grenade launchers, signal cartridges, and impulse cartridges for aircraft pylons, bomb racks and chaff. The primary small arms ammunition being procured is the 5.56mm round. This ammuniton is used by security police and other ground based defense personnel for training and during hostilities. The FY 1990 request increases $1.1 million. There is some growth for 5.56mm blank ammunition. This increase is to provide realistic training for personnel with ground defense missions. The other area of growth is in the procurement of the special 5.56mm ammunition for the Squad Automatic Weapon which we will begin procuring in FY 1990. There is no growth to the 5.56mm ball line since we enjoy excellent inventory objective levels for this item. The quantity being procured is to ensure adequate levels of training ammunition.

There are two major types of aircraft cannon ammuniton being requested, 20mm and 30mm. The 20mm ammunition request is further divided into combat and training. The 20mm combat portion includes bulk ammunition which is used by different types of fighter aircraft and linked ammunition used on Special Operations Forces (SOF) AC-130 gunships. The linked requirements are being emphasized since they assist the SOF in attaining higher war reserve stockage levels; they are also used for training. Of the $4.7 million being requested for 20mm combat in FY 1990, $2.9 million is for linked 20mm combat ammunition. The linked ammunition is important particularly to the Air Force Reserve SOF units since it provides them relief from the manpower intensive task of having to link bulk ammunition.

The 20mm training ammunition line increases $4.4 million, but the quantity is lower. This is a function of the phenomenon I mentioned before where we are forced to purchase less quantity because the CAWCF prices significantly increased; in this specific case, a 31% price increase for the 20mm training practice round and 13% for the 20mm training practice-tracer round. In prior years the General Accounting Office has questioned the requirement level for this item. The FY 1990 requirement is significantly higher than in previous years. The using commands have forecasted a training usage requirement of more than 13 million rounds in CY 1990. This increase seems extraordinarily large, but not when compared to what occurred between CY 1987 and CY 1988 when there was a 66% increase in expenditures. We indicated last year that this item had become one of the highest priority training munitions for the Tactical Air Forces and I believe this substantial increase in expenditures bears this out. Last year the Congress approved procurement of 9.8 million rounds. Our FY 1990 request is for 9.4 million rounds.

There has been a significant down turn in the quantity requested for the 30MM training practice round, approximately 1.1 million rounds less than FY 1989. We expect this level will remain stable over the next few years as we continue to examine the close air support role of the A-10 and perhaps a successor aircraft. As you may know, the FY 1989 contract award was made in early April, but it has been protested by the losing bidder. I will not make any further mention of that contract so as to not jeopardize the integrity of the appeal process. Nonetheless, I would point out that the FY 1990 request is for 7.1 million rounds; which is less than prior years and well below the level that the General Accounting Office found in its FY 1988 ammunition review was required to maintain two producers. It will be the competitive factor alone that will maintain reasonable prices for the FY 1989 through FY 1992 period since the FY 1989 contract contained three option years.

BOMBS

Although this category has experienced a large decrease in funding levels, it remains the category requiring the most significant investment. The major FY 1990 program continues to be the CEM. It constitutes 35% of the total FY 1990 request, and 21% of the FY 1991 request. As I mentioned earlier, we are requesting approval of a multiyear contract with advance procurement funding. The CEM has achieved significant unit cost decreases since the item entered production in FY 1983, with head-to-head competition commencing in FY 1985. For example, the average FY 1985 contract unit price was $28,180; while the recently awarded FY 1989 contract unit price is $12,026. Benefits from the competition in prior years afforded us larger quantities than expected, to where the FY 1990 multiyear contract will enable us to achieve the Defense Guidance Mid-Term Objectives. Thus, the FY 1990 contract is a life-of-type buy, or in other words, a buy-out of this weapon.

The bomb category includes an important new start in FY 1991, the Sensor Fuzed Weapon. As I remarked earlier this is a cluster munition designed for direct attack against armor. The value of this weapon is that it provides multiple kills per pass by using wide area coverage. The weapon can be released at low altitudes, under adverse weather conditions and in day or night. The Air Force has allocated considerable resources to prepare this munition for production in FY 1991.

Also mentioned earlier, we are continuing the Bigeye program. We require $6.9 million in FY 1990 to produce 250 inert test assets for the Air Force's SEEK EAGLE program. The purpose of the SEEK EAGLE program is to certify aircraft/store compatibility, safe carriage and separation, and ballistic accuracy verification. These assets cannot be converted to lethal weapons. However, they do provide us with important ballistic information which is transferable to other programs and will provide us with a certified weapon by the time a full rate production decision is made. Our request in FY 1991 for $60.7 million anticipates full rate production.

I would like to reiterate the remark I made about the BDU-33 which is included in the 25 pound practice bomb line of the budget. This is an essential training item and in FY 1990 we are requesting approximately 1.5 million bombs. Historically, we have expended an average of one million bombs per year; though in CY 1988 the rate was closer to 1.1 million. The FY 1990 increase is crucial to our training program item; it enables us to compensate somewhat for the lack of a heavyweight ordnance buy in FY 1990. The increased number of BDU-33's will tide us over until we can begin procuring BDU-50s and MK-84 empty bombs in FY 91.

OTHER ITEMS

The major items within this category continue to be the infrared countermeasure flares which constitute the largest dollar value group, 32% in FY 1990 and 36% in FY 1991. The MJU-7/B flare requirement is getting smaller as more emphasis is placed on the MJU-10/B and the MJU-23/B or B-1B flare. The MJU-7/B is making satisfactory progress in terms of its sustainability levels. The FY 1990 program maintains a warm production base by utilizing Longhorn Army Ammunition Plant and a commercial source. The development and maintenance of commercial sources are critical in an industry with stringent safety and environmental standards and in which serious plant explosions have occurred. The MJU-23/B flare for the B-1B bomber has been certified for use by the Air Force Nonnuclear Safety Board and is ready for production at a higher rate. The lack of a FY 1988 program and the decrement of the FY 1989 program have seriously hampered this program from meeting SIOP requirements. For the same reasons we have made little progress in achieving our war reserve requirements.

FUZES

This category includes only the FMU-139 fuze which is a Navy managed joint service program. It provides fuzing capability for laser guided bombs, general purpose bombs, including the M117 bomb utilized by the Strategic Air Command. The FY 1990 quantity decreases 14% from FY 1989, but returns to a higher level as we attempt to provide more efficient production rates for the two competing vendors.

OTHER WEAPONS

This category has increased over FY 1989 when the Air Force's 9MM handgun procurement was completed. FY 1990 also marks the completion of the Air Force's commitment for weapons under the US-West German Wartime Host Nation Support Agreement signed in 1982; specifically, it includes $16 million to procure 74 20mm anti-aircraft guns. These weapons will be procured as an option to the existing FY 1988 contract. We intend to procure these weapons in a single year to take advantage of production efficiencies and cost savings as well as to avoid the problems that occur with currency fluctuation. The other major weapon being procured is the Squad Automatic Weapon (SAW) for which the Army is under contract. The Air Force will procure 2400 weapons total in FY 1990 and 1991. This weapon will be used by security police contingency security elements and air base ground defense flights. Because the SAW has a greater rate of fire than the M-16 rifle, it will enhance our existing capability and serve as an effective means of bridging the gap between the M-16 rifle and M-60 machine gun. It is an ideal weapon for a variety of security police missions, such as perimeter defense and patrolling.

CONCLUSION

I would emphasize again that, although the FY 1990 budget is not as large as previous years, it does provide us some sustainability gains. In fact, when considering all tactical munitions funding, we add approximately 6,000 optimally loaded sorties in FY 1990, i.e., these sorties are being supported with the preferred or most effective munition for that target. Further, we're buying increased weapon versatility and improved standoff capability. FY 1990 is a transitional period as we bring on a new line of modern weapons in FY 1991 and beyond. The second point I want to make is that again, like FY 1989, we are faced with tough choices; we have to procure sufficient munitions for readiness and war reserve purposes, mindful of our responsibility to help achieve deficit reduction goals agreed to by Congress and the President. This deficit reduction goal must be weighed against the need to maintain a balanced force. The munitions request must be viewed as a key ingredient of the sustainability equation. Together, I feel, we have achieved proper balance and I solicit your continued support. Again, I thank the committee for this opportunity to speak to you.

Mr Chairman, this concludes my prepared statement. I would be pleased to respond to any questions you may have.

Senator DIXON. Thank you very much, General Bracken. If my colleagues will indulge me, I will withhold my questions for now. And if my friend from Alabama has no objection, I think I will let the Senator from Mississippi, who is not on this subcommittee and has another obligation, pursue his questioning with the leave of the distinguished Senator from Alabama.

Senator SHELBY. Go right ahead, Mr. Chairman. If my distinguished colleague from Mississippi will just leave me a little time to——

[Laughter.]

Senator LOTT. Just a couple of minutes, I assure you. But I want to thank you, Mr. Chairman, and my colleague from Alabama, my longtime friend from the other body, I appreciate you doing that. I will try to stay within some reasonable time balance, Mr. Chairman.

I know, General Bracken and General Greenberg, you have a tough job to do. This is a very important part of your needs in the Army and the Air Force, and you are faced with budget constraints. But it seems to me, you know, with all the tanks and all the airplanes and all the people, men and women, in the world, if you do not have ammunition and missiles and bombs, they are not much good to you in the case of an emergency. So this is a very important area.

One thing that struck me, General Bracken, is why you have some peaks and valleys there. It is a relatively level line, and, actually, it kind of inches up a little bit. I am greatly concerned, however, that the Army's chart, while it had had little peaks and valleys, it has got a monumental drop-off in the acquisition of ammunition in the next few years. Your own chart showed that and that causes me real problems.

THIRD PARTY OR FOREIGN MILITARY SALES

Let me just, I will try to ask you brief questions and I would like to get as brief answers as possible. First of all, in trying to deal with the budget limitations, do you, in the Army and for the Air Force, for that matter, make every possible effort to get additional third-party work or possible foreign military sales of your ammunition, particulary where you have a Government-owned plant?

General GREENBERG. Yes, sir. Let me, if I may, start.

Senator LOTT. I guess I am directing it to you, General Greenberg. Thank you, General Bracken. I enjoyed your testimony, but I am going to direct most of my fire in the form of rounds at General Greenberg today.

General GREENBERG. Senator, we believe third-party contracting is extremely important. As a matter of fact, the Army began that process about 5 years ago, when, as the dollar value of our programs started coming down, the overhead rates began going up at our plants. And we are looking for a method of amortizing the facility cost, or the overhead cost, across a wider production base.

So we conceived this idea of third party sales, which allows the contractor to use his facility for subcontracting use. We have been more lenient with that over the last couple of years than it was ever envisioned to begin with. As a matter of fact, one of our plants, Kansas Ammunition Plant, employs about 400 people who do nothing but third-party work. Their contractor has done a magnificent job of going out and getting that kind of work.

One of the concerns that we have had is that the overhead generated because these ammunition plants are so large, would detract from the contractors ability to compete in this very, very competitive environment. What we are attemping to do is to come up with a scheme which will support the contractor, reduce his costs, and, at the same time, live within the bounds of the cost-accounting standards.

There are a couple of schemes that are being looked at within AMCCOM. We hope within the next year to be able to announce a proposal whereby we will share some of the overhead cost savings with the contractor, thus allowing him to become more competitive.

Senator **Lott**. How about the foreign sales?

General **Greenberg**. Sir, we permit foreign sales.

Senator **Lott**. Well, I guess what I am asking, as opposed to permitting, are you encouraging it? I mean, this fits with what I thought we decided we were going to do years ago anyway, the interchangeability and all, and, you know, it helps us sustain our own base if we can do that. I mean, are you pursuing it or not?

General **Greenberg**. Sir——

Senator **Lott**. Are you encouraging it or are you just hoping that something might work out.

General **Greenberg**. In the past, we have not encouraged direct foreign military sales, and the reason is to protect our own industrial base. Now, direct foreign military sales with ammunition plants going out and getting their work and bringing it back to the plant, we can and do encourage.

Our concern is that when a contractor goes off-shore and sells to a foreign government, he will bring it back and put it in his commercial facility. That does not do our Government owned industrial base any good at all, because the work will not come to the ammunition plants. It will stay out there in industry. So, what I would say is, on a case-by-case basis, we encourage direct foreign sales where it is in our industrial base's best interest.

M483 AMMUNITION

Senator **Lott**. Let me ask another question. Getting specifically to the M483 ammunition, what percentage of the previously planned level of war reserve has the Army accumulated to this point?

General **Greenberg**. Sir, I will provide that for the record.

[The information follows:]

M483 Ammunition

Sir, we strive to maintain about [deleted] days of supply in our ammunition base and we are currently out about [deleted] days supply.

Senator **Lott**. So you are substantially short of what your planned level was, right?

General **Greenberg**. That is correct, sir.

Senator LOTT. Let us, if I could, go back with just a little history on this particular thing. The M483 produced at the Mississippi Army Ammunition Plant, when did that plant actually begin working on that?

General GREENBERG. Sir, I do not——

Senator LOTT. The plans and the actual——

General GREENBERG. Yes, sir. I do not know the exact date, but I believe it to be about 7 years ago.

Senator LOTT. Seven years ago. Okay. Do you know how much money has been invested in that facility to date?

General GREENBERG. Yes, sir, approximately $600 million.

Senator LOTT. $620 million plus, I think.

General GREENBERG. $665 million, to be exact.

Senator LOTT. $665 million?

General GREENBERG. Yes, sir.

Senator LOTT. $665 million to date. And it is anticipated, by the time we get to the end of next fiscal year, we will have put approximately $700 million into this facility, correct?

General GREENBERG. Uh, yes, sir, about that.

Senator LOTT. And your recommendation, I believe, this year is that we include $25 million to layaway or deactivate that plant.

General GREENBERG. To begin that process, yes, sir.

Senator LOTT. Is this the newest such facility you have in the Army?

General GREENBERG. Yes, it is.

Senator LOTT. How many employees would be affected by the deactivation?

General GREENBERG. About 1,400 people, sir.

Senator LOTT. How much would it cost to keep the Mississippi Army Ammunition Plant producing at a minimal sustained rate through fiscal year 1990?

General GREENBERG. Sir, we would need about $144 million a year.

Senator LOTT. $144 million a year. How much would you need——

General GREENBERG. That is to buy projectiles——

Senator LOTT [continuing]. In fiscal year 1990?

General GREENBERG. About $144 million, sir.

Senator LOTT. I think that figure is very high. In fact, it is——

General GREENBERG. Yes, sir. Let me explain if I may——

Senator LOTT. It is about half of that, I think.

General GREENBERG. Well, let me—no, sir, we would need about $121 million for the projectile itself. That includes the metal parts, the load assemble and pack operations, finished, delivered product. We would then need to buy prop charges; and fuzes, which, of course, are not made in Mississippi but rather are made at other facilities.

The projectile would not be of any value without those ancillary items. All told, we estimate that cost to be $144 million, and that includes backing out the $20 million we asked for layaway.

Senator LOTT. I am going to submit, if I could, for the record, a number of additional questions I would like for you to answer. And I am going to ask you some further questions on that particular point because there is some disagreement here on the figures.

General, you know, I am a new member of the Armed Services Committee, but for 16 years in the House I have been an advocate of a strong national defense across the board, Navy, Air Force, Marines, and Army. And I have always felt like you all take a lot of abuse about, you know, some of the decisions you make.

But, you know, it is awfully hard to explain to the people of this country, let alone the people of my own State, that you have credibility, when you come to the Congress and ask for a new facility like this, and the Army comes back again and again and talks to my predecessor, John Stennis, and to me, to say, "Well, we need $50 million more" or "We need $70 million more, and it will be operative and it will be good, this is an important part of our plans for the future."

Then, after approximately 10 years of this exercise—7 since we actually got started with it—10 years, newest Army ammunition facility in the country, supposedly the most modern, and $700 million, the Army says, "Hey, we do not need it." I mean, General, how do you respond to that kind of recommendation?

General **Greenberg**. Yes, sir. First of all, I do not think the Army has ever said, nor would we say that we do not need a Mississippi Army Ammunition Plant. Approximately 60 percent of our ammunition production base is in a layaway status. When the products that the plants produce are no longer a high enough priority so that we continue to buy them, we have no choice but to lay away the plants or lines.

Senator **Lott**. You spent 10 years, 10 years and $700 million on a round that is no longer a high priority? I mean, what kind of planning is that?

General **Greenberg**. Sir, I would hope that this committee and the whole Congress, for that matter, would want us to continue to modernize our ammunition in consonance with the threat. The round that follows this particular round gives us a much greater capability.

Senator **Lott**. What about modification of the newest and most modern facility in the country to do other work, in fact, the next generation? Have you considered that?

General **Greenberg**. Yes, sir, we have. For the very reason that it is the most modern and the most continuous producing type facility, makes it very, very difficult to convert any or all of it, for another product. It is a large facility and its overhead costs would require its total conversion rather than a piece of the line being converted.

The ability of the plant to sustain the overhead costs that would go with the quantities that we are buying for the M864 would be alone prohibitive. And we would deny ourselves the mobilization capability for the M483 projectile, the very thing that it was designed to produce. It now represents 60 percent of our mobilization capability for that round.

Senator **Lott**. I know I am impinging on my time. Let me just ask one more question and I will wrap it up.

Senator **Dixon**. May I say to you that we will have a second round as well, so after you ask the one more, if you want to wait until after we——

TECHNOLOGICAL PERISHABILITY

Senator **Lott**. Break. What about technological perishability? My information is that if you shut this plant down, because of the equipment that you have in there and the fast-changing development of electronic equipment that you, in effect, you are losing it. And if you tried to get a start-up, it would be next to impossible to do.

General **Greenberg**. Yes, sir. We have done a number of studies in that regard. As a matter of fact, we have worked very closely with our communications command up at Fort Monmouth, and our production base modernization agency to ascertain the best way to do this. Sir, I will agree with you, it is very difficult, but it is not impossible.

There are a number of schemes which will allow us to continue to maintain this equipment in an operable status. There are other schemes which are more dramatic, I guess, and less ideal, such as selling that equipment—I am talking about the computer equipment—and buying new computer equipment at the point in time when we would need that facility.

Senator **Lott**. Well, I am sorry I have to start off one of my first experiences as a member of the Armed Services Committee in an adversarial role with the Army. But that is the way I feel. I am extremely disappointed in the way you have handled this thing from the beginning, quite honestly. Right on through the last few years and right up until this very moment.

I am going to do to you the same thing I did to another general and, I guess, the Acting Secretary of the Army. In the years that I have dealt with the military branches, particularly with the Navy, when we have had a problem like this one, the Navy took a CD attitude, "can do—we will find a way to modify it. We will find a way to make use of it. We will change it; we will do this."

The Army's attitude, in my opinion, has been, "Hey, we are shutting this rascal down and we are not getting into any of this other stuff." I would like the Army to pursue ways to keep this thing hot and on line. What other alternatives, in terms of sales or, you know, whatever involvement or conversion, because we are going to have real difficulty with this one.

General **Greenberg**. Yes, sir.

Senator **Dixon**. The Senator from Alabama.

AMMUNITION PLANT SHUTDOWN

Senator **Shelby**. Thank you, Mr. Chairman. Picking up on what the Senator from Mississippi said, it does not make any sense to me—and the facility is not located in Alabama—to close down a plant, the newest plant, the most modern facility, after we have spent that kind of money. And I do not know how we could justify this, in this committee, and I hope the Appropriations Committee, too. It does not make a bit of sense.

But following up on this, you are talking about deactivating or closing down or shutting down or putting on hold the Mississippi plant; we know what all this is. But are you not also at the same time talking about reactivating an inactive facility at Riverbank Army Ammunition Plant in California? Is that correct, General?

General **Greenberg**. No, sir, we are not reactivating it.

Senator **Shelby**. You are not?

General **Greenberg**. No, sir. That facility has been shut down for a number of years.

Senator **Shelby**. But there has been talk of that, has there not, and proposals to reopen that?

General **Greenberg**. Yes, sir, there has.

Senator **Shelby**. Is there any plans by the Army to do that?

General **Greenberg**. Not plans to reactivate it, no, sir.

Senator **Shelby**. Are you planning to open it up?

General **Greenberg**. Sir, I——

Senator **Shelby**. What are the plans? Let me ask you that question.

General **Greenberg**. If I may, because it sounds like I am waffling.

Senator **Shelby**. Okay. Please do not do that.

General **Greenberg**. Let me give you a better explanation. Riverbank Army Ammunition Plant has been shut down for a number of years.

Senator **Shelby**. We know that.

General **Greenberg**. Riverbank asked and received permission to sell to the Army on a third-party basis, and they have competed over time for grenades and metal parts and so forth. They have, in the last couple of years, been very important to our industrial base for grenades, so much so that the Congress directed that we maintain that facilities work at a level of about 300, and that is our intent.

Senator **Shelby**. Are you familiar, I do not know if you are, General, there is a company in Alabama, EMCO Inc.——

General **Greenberg**. Yes, sir.

Senator **Shelby** [continuing]. Out of Gadsen, Alabama. It produces the M42, M46 grenades for the 155-millimeter, dual-purpose weapon.

General **Greenberg**. Yes, sir.

Senator **Shelby**. Is this the same thing that is produced by Riverbank?

General **Greenberg**. Yes, sir.

Senator **Shelby**. I know my office and I have been involved in trying to keep, I hope, some competition in this, keep things on a competitive basis, and I understand there is political pressure on the Army to make the facility in California a sole-source facility for producing grenade bodies. And there is no competition and I am not sure that is how we get our best dollar.

General **Greenberg**. Sir, that is not known to me. As a matter of fact, in 1988, EMCO, along with four other producers, to include Riverbank, competed for a multi-year contract for these grenades. EMCO was one of the three winners of that multi-year contract. As a result, EMCO was awarded most recently 12 million grenades. However, because——

Senator **Shelby**. Based on competition, right?

General **Greenberg**. Yes, sir, based on competition. However, there are five plants in the base; two other producers also won 12 million. However, because of the need for that grenade in MLRS and the M864 projectile and the fluctuating budgets over the next couple of years, we would like to buy more MLRS, for example, and more M864s. Therefore, we felt like it was not in our best interest to shut down a portion of the industrial base for grenades, so we decided to keep all five producers active for at least another year or so.

Senator SHELBY. And go to the most competitive source, right?

General GREENBERG. No, sir.

Senator SHELBY. Why not?

General GREENBERG. What we did is——

Senator SHELBY. Why not?

General GREENBERG. Because the other three producers already had 12 million grenades, which was at least their 1-8-5 production rate?

Senator SHELBY. Was there much discrepancy in the price?

General GREENBERG. Yes, sir, there was. There is a premium that we have to pay to keep those two producers operating.

Senator SHELBY. You have got two producers. I thought you said you had four a minute ago.

General GREENBERG. No, sir, we had five total; three won the multi-year awards and were each given 12 million. Two of them, Kisco and Riverbank, each received awards of approximately 5 million apiece. And there was a premium that had to be paid; much of that premium had to do with the fact that it was only 5 million.

Senator SHELBY. Who was the most competitive? Do you have that for the record?

General GREENBERG. The competition in 1989 did not exist because it was based on the 1988 award, and so we awarded the 12 million to the three high winners in——

Senator SHELBY. Are you going to open it up for competition for 1990?

General GREENBERG. Yes, sir.

Senator SHELBY. Is it going to be on price and quality?

General GREENBERG. Yes, sir.

Senator SHEBLY. And you are not going to go back to just the same old thing, are you?

General GREENBERG. Sir——

Senator SHELBY. That is, allocating it between four people.

General GREENBERG. We may have to allocate in order to maintain that base one more year. The multi-years go one more year, however. So, in other words——

Senator SHELBY. What I am concerned about are two things. One, competition, getting the best dollar—and I know you are, General——

General GREENBERG. Sir, our competition rate is around 60 percent right now, sir, in ammunition.

Senator SHELBY. And I am also interested in no sole-sourcing out there anywhere I can prohibit that. And I hope you are.

General GREENBERG. I understand. Yes, sir.

Senator SHELBY. Do you really need to keep, General, five producers in the grenade business?

General GREENBERG. Sir, we are not——

Senator SHELBY. I can see——

General GREENBERG. We are not sure. Until the MLRS system shakes down, until we see what we are going to be able to get in 1991——

Senator SHELBY. What do you mean by "shake down"?

General GREENBERG. Well, sir, there is a concern between us and the Secretary of Defense as to whether we are going to buy any more MLRSs than what the Army has asked for. We would like to buy a few more, there is a debate ongoing about that, and that will stretch through 1991. And so we felt it prudent to keep the base open for at least that long.

Senator SHELBY. Well, as I said, I am interested in competition and quality, and I hope you are, too. I believe you are.

General GREENBERG. Yes, sir.

Senator SHELBY. Thank you, Mr. Chairman.

LOWEST ARMY AMMUNITION BUDGET

Senator DIXON. I thank the Senator from Alabama. General Greenberg, I understand that in constant dollars, the Army's ammunition budget request for fiscal 1990 is the lowest since fiscal 1980 and the fiscal year 1991 request is actually lower than 1980. Is this true?

General GREENBERG. Yes, sir.

Senator DIXON. What is this level of funding doing to the ammunition production base, both Government-owned and private?

General GREENBERG. Sir, it is driving the base down. We will lose approximately 7,000 people over the next 3 or 4 years out of the Government-owned base, and we are also seeing, of course, commercial producers also dropping out of the base.

Senator DIXON. It occurs to this Senator that I do not know how many other places we see that, but this is an example of returning to the situation we had before the Reagan administration experience, which causes me, as a Democrat who has always supported a strong national defense, some profound concerns.

I do want to share what my friend from Mississippi has said, if we do not have the ammunition to shoot out of all of this wonderful esoteric stuff we have, what have we got? I wonder whether you folks are giving some thought to whether we would find a way to do a little better with respect to ammunition this year than what you are suggesting at this point in time.

I really think these numbers are profoundly disturbing. Is there any other example? This has got to be about the worst thing I think we are looking at from the standpoint of reverting to—I hesitate to use the word "empty Army," but, you know, this was the country, I think, that had an opportunity to pass upon this a couple of times and did not want this to happen.

General GREENBERG. Sir, let me see if I cannot at least tell you where we are coming from.

Senator DIXON. I am not really picking on you here.

General GREENBERG. I understand, sir.

Senator DIXON. I understand the problem you have with this budget we have given you. All of us are unhappy with some of the things that have happened here, do you understand?

General GREENBERG. Yes, sir.

Senator Dixon. I am just creating the question early on before I meet with the other subcommittee chairmen, the chairman of the committee, and the ranking members about whether this is a place we ought to be doing this so drastically.

General Greenberg. Sir, if I may, let me mention a couple of things. First of all, the Chief had some very, very tough decisions that he had to make across the entire Army budget. In the ammunition area, what we attempted to do, and I think we have done it, is to support training 100 percent; so there is no training day that is being missed because of a lack of ammunition.

We are modernizing the stockpile. For example, 29A1 cartridge; we have maintained our readiness and sustainability by buying the most modern, the most advanced tank found in the world. And we are putting that into the field in quantities and numbers where I can make proper distributions. We have had to make some sacrifices in long-term sustainability.

READINESS AND SUSTAINABILITY

We have taken care of near-term readiness. New equipment being fielded has on hand the ammunition necessary to do the job for a short period of time. The sustainability area is what we are looking for.

Senator Dixon. How many days right now, General——

General Greenberg. Sir, can I hold that for the classified session, sir?

Senator Dixon. Sure. And I presume, General Bracken, that would be the same problem for you?

General Bracken. If I may add to what General Greenberg has said, in constructing our fiscal year 1990 budget and fiscal year 1991 budget as well, we had some very tough choices to make, and our Chief and our Secretary, in concert with all of the CINCs in the field, looked at protecting readiness, the ability to come out of the traps, if you will, and go to war on the first day, if you have to. And we constructed our budget in that context.

And, in getting to those positions from the 1988 and 1989 time frame, we in the Air Force had to give up some force structure. We have dropped down our number of tactical fighter wings; we have dropped down on the number of airlift squadrons and refueling squadrons and so on and so forth.

We have rephased and restructured our modernization program and we have given up, also, some long-term sustainability. And what we tried to do in constructing our fiscal year 1990 budget and our fiscal year 1991 budget requests, is to look at all of the elements of that ability to go to war, our readiness posture. We looked at spares funding, we looked at POL, we looked at the dollars that we need to have to repair the items when they go back to the depots, and we tried to strike a balance in those various accounts.

And our Chief has said to us, "You know, it does not do me any good to have 200 days worth of bombs in my storage dumps if the airplanes run out of spares on the 7th day or the 8th day." We have had to make some tough trade-offs in the logistics area so that we are at the end of a 30-day war in a fairly balanced position. In that context, we are also sensitive to the production bases that we must maintain because it is difficult to get munitions into production.

And so, we in the Air Force have focused on those weapons that give us the highest degree of leverage in terms of target kill capability and are able to destroy the enemy's war-fighting base. We are transitioning in the fiscal year 1990 timeframe to a new series, new kinds of weapons.

Now I think that is the reason why funding levels come down and why they will come back up again in 1991. We have given up some modest amount of sustainability, but I think what we have bought is versatile, flexible and gives us the kind of fighting capability that we need. And I do not think there is any excesses in our munitions account. It would trouble us immensely if we lost money on munitions. It has been a tough job getting to the bottom-line position that we have got before you right now, sir.

M864 ARTILLERY

Senator DIXON. General Greenberg, I am concerned about the delays in getting production of the Baseburner assembly for the M864 artillery round underway at Joliet Army Ammunition Plant. And I will ask you, is the Army still committed to getting the first source of production before beginning production of the second source facility?

General GREENBERG. Yes, sir, we certainly are. We have not signed a second source contract; however, we intend to momentarily.

Senator DIXON. When do you expect the first source to be in production?

General GREENBERG. Tally is in production now, of course, in their Phoenix, AZ, facility.

Senator DIXON. At Joliet?

General GREENBERG. No. We had some indemnification concerns which have now been resolved, and Dr. Scully——

Senator DIXON. They are resolved now?

General GREENBERG. Yes. Dr. Scully signed off on that last week so there is no impediment to getting them started. We fully expect for them to be on line next year. And we are going to work very hard to see that happen.

AT-4

Senator DIXON. Now your budget proposes terminating the Army's buying of the AT-4 in fiscal year 1991. The other services are continuing to buy the AT-4 over the fiscal years 1991-1994 time period. May I ask why you are not following that policy?

General GREENBERG. The Army felt that, again, in the prioritization process, that the AT-4 was a round we could do without. When we deliver the fiscal year 1990 buy, we will have bought approximately 80 percent of our objective.

Senator DIXON. I would ask you if you would be kind enough to do it, to re-evaluate that and tell me what the number would be to continue the AT-4 program in the Army through 1994, as the other services are doing it. Would you be kind enough to accommodate me in that regard——

General **Greenberg**. Yes, sir, I will.

[The information follows:]

AT-4

Army discussions with Honeywell indicate that the minimum annual economic production quantity for AT-4 is 60,000. Considering the other service buys and the projected unit cost, the quantities and dollars required to continue the AT-4 program through 1994 are as follows:

	Fiscal year—			
	1991	1992	1993	1994
Quantity (thousands)	39.0	14.0	32.0	35.0
Amount (millions)	$35.1	$12.7	$29.3	$32.2

The premium to go below 60,000 per year is approximately $450.00 per unit or $9.5 million in fiscal year 1991; $150.00 per unit or $6.2 million in fiscal year 1992; $470.00 per unit or $10.8 million in fiscal year 1993; and $480.00 per unit or $12.0 million in fiscal year 1994.

FORT HOOD AIRCRAFT DAMAGE

Senator **Dixon** [continuing]. And we will pursue it some time, that question further. The staff has asked me to ask you about the damage at Fort Hood. They have shown me these pictures here. Could you enlighten us about the extent of the storm damage there and what you expect to do about it?

General **Greenberg**. Yes, sir. First of all, of course, this is out of my area of expertise, but I have received briefings on it, as many of the general officers have. On May 13, wind gusts in excess of 90 miles an hour were experienced at Fort Hood. These are wind gusts 30 percent in excess of anything they have ever experienced before at Fort Hood.

Senator **Dixon**. I take it they did not anticipate it because I see so much aircraft damage. One would think they would have gotten those off the tarmac.

General **Greenberg**. Sir, as a matter of fact, the exact opposite is true. They had received for 9 days storm warnings, severe storm warnings, and, as a result of that, they had taken 49 percent of the aircraft and put them in hangars that are capable of housing only 15 percent and they had tied down the larger aircraft. They are capable of withstanding some great forces, but not anything near what this was.

Senator **Dixon**. Well, that is the explanation then. In other words, they had done the best they could and they tied down as best they could, the rest of them.

General **Greenberg**. Yes, sir.

Senator **Dixon**. There is nothing you can do about that kind of force.

General **Greenberg**. No, sir, and before they could do their disbursal plan——

Senator **Dixon**. That is the next thing I was going to ask you. They could not get them out of there on time?

General **Greenberg**. You know, it would have put them in greater harm by trying to do that at that point.

Senator **Dixon**. How much do you figure it is going to cost, because somebody is saying we might have to look at that in a supplemental.

General **Greenberg**. Sir, I have seen numbers but I would rather not speculate. We have got teams down there working around the clock to perform triage and ascertain the extent of damage. We estimate approximately 200 aircraft are damaged, but there could be more. We do not know the degree of damage and I think it will be about 10 days to 2 weeks before we get some kind of official estimate. Anything I give you now would be premature.

Senator **Dixon**. Thank you. At your convenience, if you could get that to us, I would appreciate it. And I think we will have a second round before we go into closed session, because I see my friend from Mississippi has remained. I suspect he may have other questions.

Senator **Lott**. Just two or three more.

Senator **Dixon**. Put on your seatbelt.

M864 ARTILLERY

Senator **Lott**. I am following your example. I like the way you do business. General, let me switch to another round. General Greenberg, the fiscal years 1990–1991 budget includes production of 240,000 rounds of the M864 artillery shell, but only 120,000 rounds in fiscal year 1991. The question is why are you, once again, cutting back so severely on the production rate of a new round so soon after beginning production?

General **Greenberg**. Sir, the fiscal year 1990 budget was $1.7 billion and some change. The 1991 budget was $1.5 billion and some change. In order to maintain our high priority tank programs, take care of our high priority missile systems, we had to make some sacrifices. And one of them was this particular round.

Senator **Lott**. So we are making a sacrifice on the M483 and also, then, on the M864.

General **Greenberg**. Yes sir.

Senator **Lott**. All of them. That is very troublesome to me, and I am glad to hear that it is also to the gentleman from Illinois. I met with General Wagner, I believe it was, earlier this year, and talked about a whole lot of things, unsatisfactorily across the board, I might say.

One of the things I said to him was I like to go around and visit with the troops in the field, including tank troops. And one of the things I found on one of my visits to a major National Guard and Reserve training facility was that the men themselves said that everything was great, the equipment was great, they would like to have the ability to fire more rounds. In other words, they would only get enough practice.

So, once again, I mean, here we are, this was the summer before last. And now we are going to cut back beyond that. I mean, are we doing our jobs?

General **Greenberg**. Sir, we are not cutting back on tank ammunition. Tank ammunition is staying at the same level that it has been over——

Senator **Lott**. I am talking about ammunition in general. I am just concerned that this whole area is being shortchanged.

General **Greenberg**. One of the things you do not see here is that our missile programs are actually increasing as our ammunition programs are decreasing. What we have done in the interest of readiness is to select the rounds that give us the greatest capability, and, in many cases, those are missile rounds such as MLRS, such as TOW–II, in order to meet what we believe to be the preemptive threat. Sir, let me say, though, that there are substitute rounds of 155mm ammunition which bring that number much higher than that.

FOREIGN MILITARY SALES

Senator **Lott**. Are there any prospects at all of these foreign military sales we had talked about, you know, whether or not you would go along with it or encourage it. But the question, I guess, now, I am asking you is that a live, real possibility?

General **Greenberg**. Yes, sir, it is. There are two ways that a foreign customer can buy from us. One is through the foreign military sales program, which allows the Army to direct work where we believe the work ought to be done, and the other is direct sales, where a contractor goes out and he will select the contractor that would do his subcontracting for him.

Now, if we did not add some kind of management over that, then a lot of that work which would normally come to us, foreign military sales, and bolster our government-owned industrial base, would actually go into the private sector. And, so, as I say, sir, we have got to be very careful about that and manage that very well.

Now, the M864 is going to be a very, very hot item, we believe. It is a program that there has been some direct sales interest in, and we are attempting to manage that program so that we get the maximum advantage of that in our government-owned industrial base.

Senator **Lott**. Let me go back to the figure you gave me, $144 million, you said to operate that ammunition facility the next year. Of that $144 million, how much of it would actually be for the rounds themselves?

General **Greenberg**. $121 million, sir.

Senator **Lott**. $121 million?

General **Greenberg**. Yes, sir. Now, that includes metal parts and load assemble and pack.

Senator **Lott**. That means to actually operate the plant, then, costs $23 million?

General **Greenberg**. No, sir, that is the cost of operating the plant. That includes all of the overhead costs associated with producing the round, maintaining security on the gate, doing all of the management, all of the things that are necessary.

Senator **Lott**. Okay. Do you have the figure where you can exclude the value of the product you get from that $121 million figure?

General **Greenberg**. Sir, I do not have that with me.

Senator **Lott**. The point I am trying to get to, I think, operate it one more year would cost you very little more than it costs to shut it down, plus you get the additional rounds.

General **Greenberg**. I will certainly redo my math, sir, but that is not my information.

[The information follows:]

Mississippi Army Ammo Plant

Of the $144 million required to operate Mississippi AAP [MSAAP] in fiscal year 1990, $121 million is for the actual rounds itself, i.e., metal parts and load, assemble and pack. Of the $121 million figure for the M483, it is estimated that $96 million would be the budgetary costs of contracts with MSAAP for the product. The balance of the cost represents tests, quality assurance, government furnished material and surcharges. In comparing the cost of operating the plant for one more year vs the cost of shutting it down, it is estimated that $80 to $100 million would be required to inactivate and layaway the facility. These costs, for the most part, would then be incurred 1 year later. It should be noted that layaway funds in the fiscal 1990 budget of $20.8 million have already been subtracted in arriving at the $144 million figure.

Senator **Lott**. Well, I wish you would then pursue that particular question in writing, please. Thank you, Mr. Chairman.

Senator **Dixon**. I thank the distinguished Senator from Mississippi, and if my colleagues on the other side of the table would be kind enough to clear the room, we will clear the room on this end and we will have a brief closed session for not in excess of 10 minutes.

[The regular session recessed at 3:18 p.m. and the committee went into executive session.]

EXECUTIVE SESSION

The subcommittee met at 3:20 p.m. in room SR-222, Russell Senate Office Building, Senator Alan J. Dixon presiding.

Committee members present: Senators Dixon and Levin.

Committee staff member present: David S. Lyles.

Minority staff members present: Ronald P. Kelly and George W. Lauffer, professional staff members.

Staff assistant present: Mary J. Kampo.

Committee members' assistants present: Charles C. Smith, assistant to Senator Dixon; Kenneth N. Luongo, assistant to Senator Levin; Dudley L. Carlson, assistant to Senator Wilson; and Charles G. Pearcy, assistant to Senator Lott.

Senator **Dixon**. We are in clossed session. General, proceed.

AGGREGATE DAYS OF SUPPLY

General **Greenberg**. Sir, I would like to talk a little bit about sustainability.

[Chart deleted.]

One of the things I am going to mention here is this chart, which we have shown you in the past, sir, in a little different format. And let me preface my remarks by saying that we are reviewing the methodology of building this chart and the way we calculate the numbers to make them a little bit more appropriate for managers, for managers' use.

For the purpose for which they are intended, they are acceptable. However, remember that they show trends rather than absolute numbers. We think they paint the current picture.

We have taken 34 systems, both missile and ammunition, and we have rolled them into these four categories, and we have worked some magic to try to determine how the 89 program compared to 1990 and 1991. What you see is a rate here, both with preferred ammunitions and substitutes.

Preferred munitions are the most modern rounds that we would like to see in the field and that the soldier would like in the bustle of his tank or by his artillery position.

Substitute rounds are those that he, in fact, has out there as his second or third choice.

Senator DIXON. Give me the example again of a tank, where it looks like you have a lot of substitutes, the preferred and the substitute.

105 MM

General GREENBERG. Yes. This is kind of tricky. We are talking about both 105 and 120 millimeter. Let us talk the 105 mm first. We have a round called the XM900E1, which is a dynamite round. It is going to extend the life of our 105 mm tank fleet.

It is not in the field yet. It will be in the field by the [deleted] funded delivery period.

The substitute round is the current preferred round in the field today, that is the M833, which kills a portion of [deleted]. As a matter of fact, most of todays targets now can be successfully attacked with the M833.

But as the new system enters in inventory, we relegate the other to the substitute category. Where the older round is totally incapable of attacking the threat, we drop it from the calculations.

Senator DIXON. Well now, just on that one, for example, I keep hearing all this talk about the Soviets now have a tank the [deleted]. Answer that?

General GREENBERG. Sir, the 120 mm round that is—and much of this program is compartmented, so I have to be careful what I say. But the M829/A1, which is the follow-on round to the round currently in the field, and as a matter of fact is the round we are building today and we are labeling it the M829/A1. It can [deleted].

Senator DIXON. For the purposes of being adversarial, how long are we away from having in the field, strictly limiting it to the anti-tank question, the kind of preferred stock that will do the job with respect to anything they have got out there?

General GREENBERG. In the case of the XM900E1, sir, we are about [deleted]. In the case of the M829A1, it is [deleted] in small quantities. However, it will be [deleted] before we will have some reasonable [deleted]. We are [deleted] obviously.

In this case, my distribution problem is not as great. We are about [deleted] away from having adequate quantities. By then we will follow up with another round even better than the M829A1, because we know that [deleted] that are out there right now is [deleted].

Senator DIXON. The only thing I would pursue in that conversation with you would be the question of whether by prioritizing this we could advance to some extent that situation? And the only reason I say that, I presume that all of us are here with a purpose, which is to resist the threat. And I can't think of anything, a greater threat than to have numerical superiority in tanks in Europe.

You know, I suppose one could say there is something that is more serious, but offhand I can not think of what it is.

Do you see what I am saying to you? And if we [deleted] we are in a hell of a shape. And I do not think they are coming in in the next 3 months. We hope they are not coming in ever.

But if they are coming in, I would sure like to be able to have something that [deleted].

General Greenberg. Yes, sir. In our reduced budget, we have left enough money in the tank and anti-tank program for main gun armament at about the [deleted] which keeps every one of our production facilities for that round at about the level that we can get them.

Senator Dixon. So in other words, you are really comfortable with it?

General Greenberg. Yes, sir. We have [deleted] the [deleted].

Senator Dixon. You do not think if this chairman wanted to do some talking with those other chairmen saying, we have got to find a little more here from somewhere else, that would help that much, anyway?

General Greenberg. Sir, I would have to take a close look and see whether we have got the capacity or capability to do any better.

Senator Dixon. Do that for me anyway, would you? Because frankly, when we have these discussions we say, what is something really critical, you know? Obviously, everybody thinks everything is really critical. But you know, do that for me. I would appreciate that.

General Greenberg. Yes, sir, I will.

[The information follows:]

ARMAMENTS ENHANCEMENT INITIATIVE (AEI)

General Greenberg. Sir, during the development of the Armaments Enhancement Initiative [AEI] program, we budgeted the maximum amount of dollars that could be executed by the two system contractors and their associated component producers at [deleted] capacity. To augment the AEI program at [deleted] capacity, additional funding for each item would be:

Item	Fiscal year 1990		Fiscal year 1991	
	Amount (millions)	Quantity (thousands)	Amount (millions)	Quantity (thousands)
105mm, APFSDS-T, XM900E1	0	0	$7.6	5.4
120mm, APFSDS-T, M829A1	[Deleted]	[Deleted]	[Deleted]	[Deleted]

General Greenberg. The point here that I want to make is on the anti-personnel category which consists of predominantly older, 155mm ammunition, artillery ammunition and motars. We are drawing stacks down, but much of that is the old M107 high explosives round. And we are consuming it for training, but we are not replacing it.

We are going to have to probably begin replacing that round in about the 1993 or 1994 timeframe, and hope to replace it with an even more capable round.

But that is the round for training, because I cannot train with my improved conventional munition. It is the one with the bomblets, and that makes it very, very difficult to train with.

But if you look at the total, you will see that we are running at about [deleted] days of supply with the preferred and substitutes. We are going to be bringing that down in 1991. But then in 1992 and beyond it stays relatively constant, and that is not good news. We would like to see an increase.

I wish I had the missile portion to show you as well, because their supply posture is in fact increasing, we hope in 1991 and 1992. To look at the equity of that and make sure we are buying the right rounds——

Senator **Dixon**. Is our surge capacity okay in all of this stuff? When you talk about this?

General **Greenberg**. Yes, sir, it is.

Senator **Dixon**. General Bracken, what do you have to say, my friend? And I did not mean to cut you off.

General **Bracken**. Sir, I have about four slides. Would you bring the first one up, please.

Selected Item Sustainability Status

Munitions	MTO	O/H 30 June 88	O/H FY89 FDP	O/H FY90 FDP
20MM (KRDS)	[DELETED]	27,828	29,579	29,191
2000LB HT	[DELETED]	1,147	8,939	8,939
CEM	[DELETED]	19,520	85,120	96,458
MJU-7	[DELETED]	813,322	1,290,553	803,585
B1B Flare	[DELETED]	140	2,275	8,265
MJU-10	[DELETED]	0	587,585	553,423
FMU-139	[DELETED]	75,640	207,755	238,116

This is the same slide I showed in the open session, sir. The MTO is the defense guidance mid-term objective, [deleted]. You can see that 20 millimeter combat we are in fairly good shape, although our training consumption is going to go up in that area. Because that is a very powerful round and provides our aircrews with the quality training they need, we will continue to buy that munition and we will be able to hold to that mid-term objective.

The 2,000 pounds hard target bomb is a problem I discussed with you as regards fiscal year 1990. We have stopped procurement in fiscal year 1990. We will continue in fiscal year 1991 and start buying that round at about 2,000–2,500 rounds a year.

COMBINED EFFECT MUNITION

The combined effect munition, that is the fiscal year 1990 funded delivery period quantity depicted on the slide. [Deleted.]

MJU-7 FLARE

The MJU-7 flare is what we use on the F-16. Our consumption rates are going up on that. We are using it more in our exercises and we have a shortfall in that area in terms of the fiscal year 1990 funded delivery period. So we are going to have to assess our procurement strategy for that flare as we move out into the fiscal year 1991 and fiscal year 1992 timeframe. In the fiscal year 1992 POM we will probably take a look at that flare.

B-1 FLARE

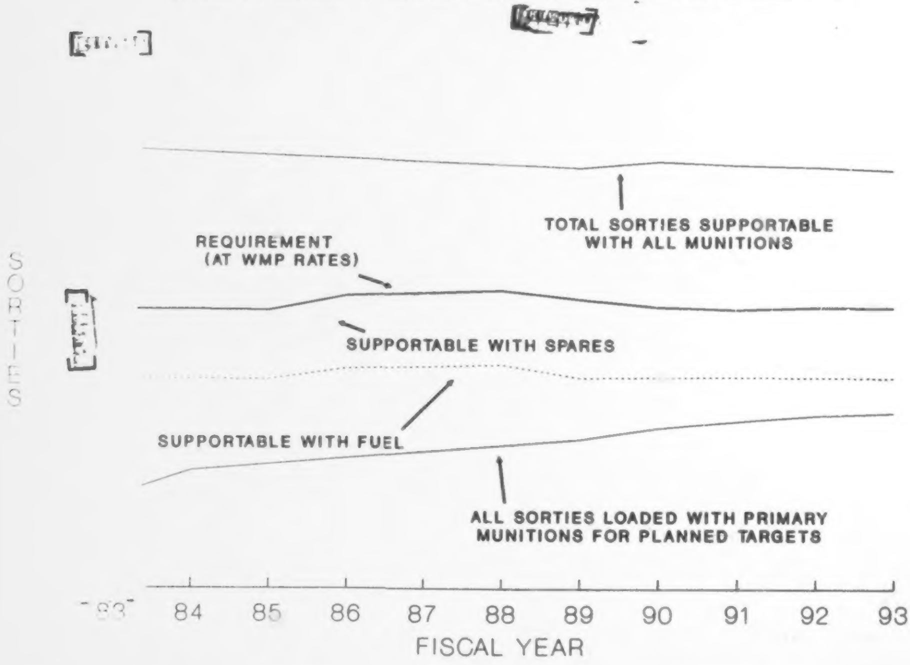
The B-1 flare is a flare with which we have had problems. We have them fixed now. It has been certified by the non-nuclear safety board and we are ready to go into large production quantities on that item.

MJU-10 FLARE

And the MJU-10 is a flare on the F-15, and it is working well, and the fuze is the Navy joint program.

And so I think in those big programs that we have showed you, we are in fairly good shape in terms of the mid-term objectives.

TACTICAL FORCES SUSTAINABILITY



This slide, sir, if I can stand up and walk you through it. This is a sortie perspective, sir, and what it does is it looks at the sorties [deleted]. And the sortie requirement is the green line. That is the requirement that we have to meet in terms of the wartime sortie rates, which is a statement of the force structure that we bring to the table against the target sets that we have to attack.

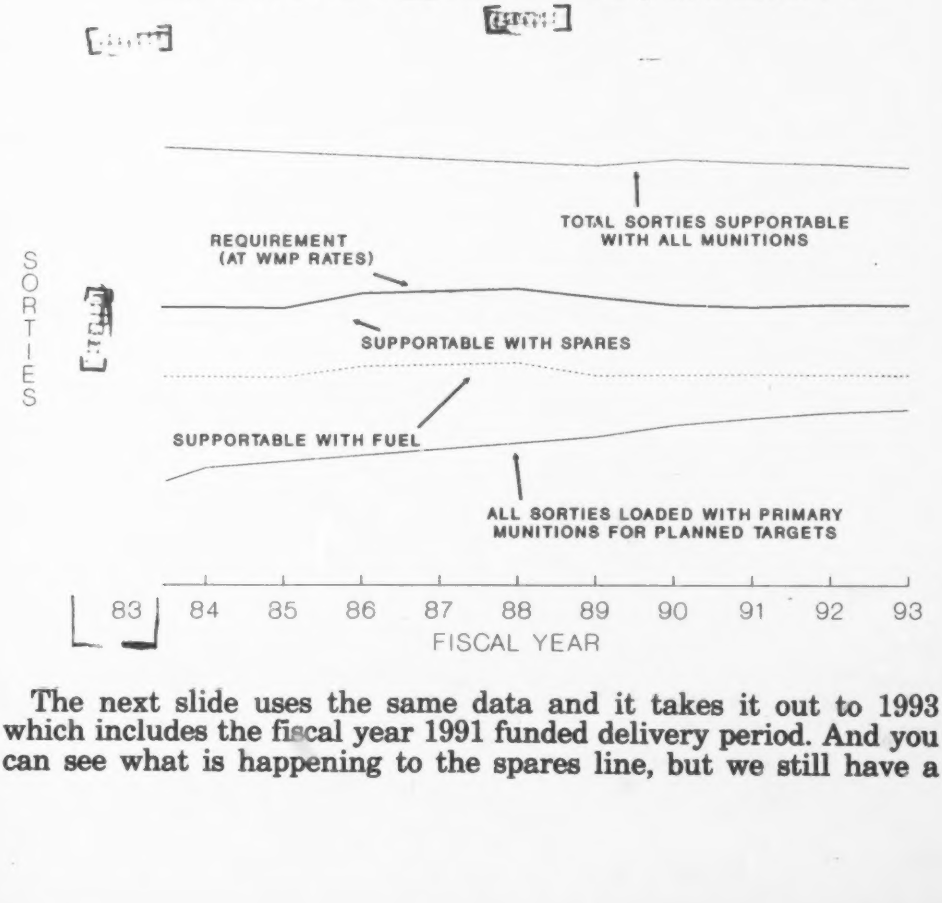
It is constrained by force structure. It is not driven by the target base out there, but rather how much we can support with airplanes that we have. This is an aggregate picture. It looks at spares, fuel, and munitions.

And as an example, you can see that the spares position, the wartime, spares, we were in fairly good shape in 1989 but now we are starting to fall off. If I drew this line out through the end of the FYDP, that line continues to come down. That is why we had to put some spare money into the budget and were able, as we moved, from the Reagan to the Bush budgets, to make some adjustments to the spares account.

The fuel line holds fairly well here, and this line up here at the end—[deleted]—this is the sorties we can support with all kinds of munitions—dumb bombs, direct attack munitions. And you can see that we are making, I think, a fairly good improvement when you look at the sorties that are loaded with the primary precision guided munitions, both the preferred and the substitute munitions.

This is the kind of analysis that we look at to try to keep our budgets in balance with respect to these commodities that give us the ability to fight the war.

TACTICAL FORCES SUSTAINABILITY



The next slide uses the same data and it takes it out to 1993 which includes the fiscal year 1991 funded delivery period. And you can see what is happening to the spares line, but we still have a modest improvement in the primary munitions and precision guided munitions which give us the highest target kill ratio.

But in reality, you look at all munitions and many of these are already in our inventory. We are not buying any more than them. We can more than amply cover the requirement. But you get a higher kill capability when you load out with preferred munitions here.

SPARES LINE

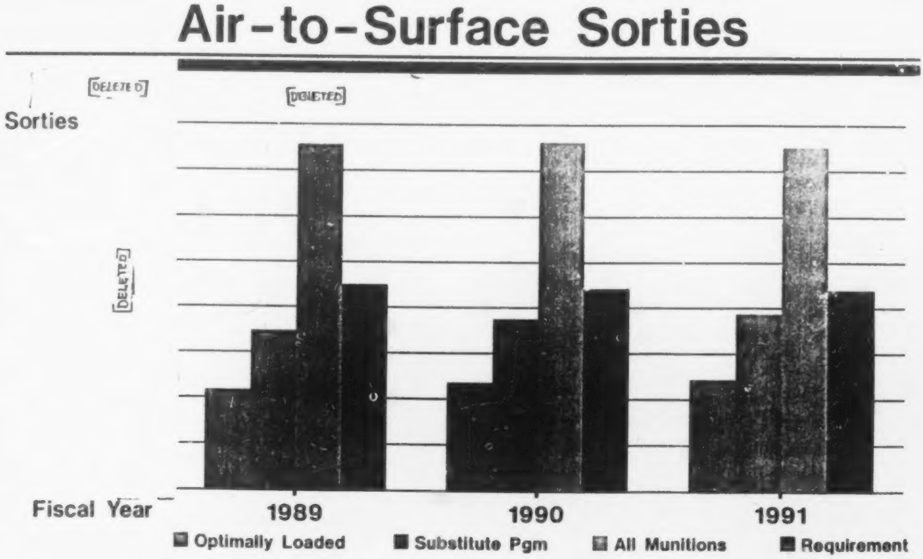
Mr. **Lyles**. Could you trace the spares line, sir.

General **Bracken**. The spares line is right here, and then it comes down here. And in fact, it keeps coming down, and in the Reagan budget it had crossed over the line for primary munitions. And when our Chief saw that, he said, I cannot let that happen, I've got to at least have enough munitions and spares so that we are balanced, so we put moneys back into the spares account in 1990 through 1994, about $350 million, and we also put some repair dollars back in. This action brings this line up and checks the descent; it is arrested. It is not however where we would like it to be.

But you know, we think we have a good balance now between spares and preferred munitions. Preferred munitions are the ones we are buying. We are not buying any more of the other ones to a large degree.

Senator **Dixon**. Okay, thanks. We might pursue that a little further later with some of your folks.

General **Bracken**. Yes, sir. And I might add, this includes all kinds of munitions, air-to-air munitions, and I have one more slide, sir.



I have factored out now the air-to-air munitions and we are only looking at air-to-surface munitions here. This is the same sortie analysis. Instead of drawing lines with it, I provided it in a bar graph for the presentation.

This is the requirement, the orange bar. It is the same planning rate as was on the previous slide. I am able to cover all of the requirements, with all kinds of air-to-surface munitions.

Now, these are the optimally loaded. The blue ones are the optimally loaded, with the preferred munitions, and this red is the substitute precision guided munition. The blue is incorporated in the red, and you can see as we move maybe from fiscal year 1989 to fiscal year 1990 and fiscal year 1990 to fiscal year 1991 I am getting closer to being able to hit my full requirement with preferred kinds of munitions.

Senator DIXON. I thank you very much, General Bracken. That is very kind of you. We may pursue with you a little bit chart 3 there, with your staff folks.

General BRACKEN. We would be glad to talk with you, sir.

Senator DIXON. Okay, fine. And as far as I am concerned, I have exhausted those questions I was concerned about asking today, Senator Lott and Senator Shelby have left. I ask you whether you have another 10 or 15 minutes, in the event that my friend from Michigan has questions on his mind, because he had another hearing and has just arrived? Are you both able to accommodate him for 15 minutes or so if he wants to ask any questions?

General GREENBERG. Yes, sir.

Senator LEVIN. Mr. Chairman, I just have a few. It probably will not take much more than 5 minutes.

Senator DIXON. I wonder if my friend would mind chairing and concluding with his questions? I had a 3:30 appointment.

I thank you and would yield the gavel to my friend, Senator Levin.

[Whereupon, at 3:42 p.m., the closed session of the subcommittee was adjourned and the hearing went into open session.]

OPEN SESSION

[Regular session reconvenes at 3:42 p.m.]

Senator LEVIN [presiding]. On page 4 of your testimony, you state that the major objective in procuring the advanced munitions is to strengthen our capability to destroy high-value targets such as armor. And then later on you say that the bomb category includes an important new start in fiscal year 1991, the sensor fuse bomb, which, I gather, are cluster munitions designed for direct attack against armor.

You testified that the value of the weapon is to provide multiple kills per pass by using a wide area of coverage. Can you tell us, for instance, if an F-16 can carry four sensor fuze bombs, how many armored vehicle kills per sortie would be accomplished?

General BRACKEN. Sir, that is a difficult question to answer. It depends upon the dispersement of the tanks on the ground and the number of tanks, in a column——

Senator LEVIN. In a column, what would the answer be in a column?

General BRACKEN. Sir, I cannot give you an answer. I will provide it for the record for you. I am not trying to be evasive on it; I just do not have that kind of target kill information with me.

[The information follows:]

The expected kills per F-16 sortie using four SFWs per sortie is defined in the Tactical Armed Forces' System Operational Requirements Document (SORD) for SFW, dated May 11, 1989, and is very explicit. The operational performance requirement is [deleted] kills per pass. This number represents the average expected performance of all dive and level deliveries and has a probability of occurrence of approximately 0.57. In other words, we expect to get [deleted] or more mobility kills per pass 57% of the time. This is based upon expending four TMDs against a Reinforced Regimental Advanced Guard (RRAG), a columnar target. The RRAG Main Force target set was derived by the U.S. Army Training and Doctrine Command (TRADOC). The target set represents "typical" targets behind the Forward Line of Own Troops (FLOT) considered interdiction targets. Vehicles in the RRAG include main battle tanks, armored personnel carriers, armored artillery and trucks/support equipment.

Senator LEVIN. Is there any other weapon on the drawing board that could fulfill the same mission as the sensor fuzed bomb?

General BRACKEN. Our sensor fuzed weapon, sir, is our direct attack anti-armor weapon of the future, sir.

Senator LEVIN. So that is the only one on the drawing board?

General BRACKEN. Yes, sir.

Senator LEVIN. Is there any munition now that the Air Force has to carry out this objective?

General BRACKEN. The Maverick is one of our primary tank killers right now.

Senator LEVIN. Any other weapon, Air Force?

General BRACKEN. Sir, you can kill a tank with a bomb if you can get a hit on it. It is difficult to do, but basically the Maverick and the Sensor Fuzed Weapon which is in the future. And, sir, my staff has provided it with that carriage capability in the F-16.

Senator LEVIN. Is there some disagreement on that issue as to whether or not you can knock out that many tanks per sortie? Is there some evidence that it might be only one or perhaps two?

General BRACKEN. Not to my knowledge sir. We are attempting to achieve mobility kills; in other words, it is not a catastrophic kill, where the tank or armored vehicles is totally destroyed and you never can use it again, but, where the vehicle is immobilized. But to the best of my knowledge, sir, I do not know if there is any disagreement on that weapon. The weapon is still in testing sir, and, that is the reason why we are not going to produce it until 1991, to make sure that it is ready to go.

Senator LEVIN. How long has this program been underway?

General BRACKEN. Sensor Fuzed Weapons?

Senator LEVIN. Yes, that bomb. It is at least 10 years, is it not?

General BRACKEN. I do not think it is that long, sir. Let me just check my notes on it. Sir, I do not know when we started the R&D effort on the weapon; my numbers do not go back that far. But I will provide it for the record.

Senator LEVIN. That would be great. If you would just give us two things for the record. One, when did the program begin and we will probably look that up anyway; but second and more important, is there some evidence available that the immobilization rate per sortie would be no more than one or two with four of those bombs on an F-16?

General BRACKEN. Yes, sir.

[The information follows:]

The Sensor Fuzed Weapon (SFW) evolved from two systems. The skeet, or projectile, concept, upon which the SFW is based, is derived from the Extended Range

Anti-armor Munition (ERAM) program which started in 1977. This skeet concept was applied to the Army Assault Breaker program in 1978 and demonstrated in 1980–81. Based on the successful demonstrations of these programs, the ERAM skeet was integrated into the skeet delivery vehicle of Assault Breaker and became the SFW concept. This concept resulted from studies under the ERAM Validation phase of RDT&E. The SFW began Full Scale Development (FSD) as a program into itself in November 1985.

We have been successful on several occasions in demonstrating multiple kills per pass and the overall effectiveness of SFW still remains high even though the Critical Design Review (CDR) conducted in April 1988 has not been closed out. Closure of CDR requires successful completion of a contractor test which is planned for July 1989. A previous test in February 1989 did not meet all test objectives due to excessive sensor sensitivity. Although increased sensitivity is usually a positive development, on SFW it resulted in hits on nontarget sources. This problem is easily corrected by reducing the sensitivity. The failure cause and fix was validated by an industry/Government team comprised of experts, including eight potential alternate source contractors. This team confirmed that the SFW design is sound.

During the last 6 months, a series of contractor tests and the first two Development Test & Evaluation (DT&E) tests have been conducted. The problems identified are minor in nature and are of the type one would normally expect to be uncovered during contractor testing. Based on current testing to date, we have a high level of confidence that SFW will meet or exceed required system effectiveness.

Senator LEVIN. Thanks to both of you and we will stand adjourned. I will use this gavel that has been entrusted to me by Senator Dixon.

[Questions for the record with answers supplied follow:]

QUESTIONS SUBMITTED BY SENATOR ALAN J. DIXON

AMMUNITION PRODUCTION BASE

Senator DIXON. General Greenberg, as the Army's ammunition budget continues to go down, how do you decide whether to put work in government-owned ammunition plants or in private commercial facilities?

General GREENBERG. Workload of the government base includes a decision approval process for each acquisition item. Current acquisitions are reviewed and identified on an individual basis to allocate workload to the government owned plants. Some acquisitions are directed to the government owned sector based on the need for retention of expertise, only available source, unique facilities or required delivery time. Additional workload to retain the government base as a minimum level of capacity may also be directed. The remainder of the requirement is reserved for the commercial sector and may be fully competed, restricted to the United States and Canada, restricted to the mobilization base, set aside for small business or procured sole source.

Senator DIXON. Does the Army put a higher priority on keeping the government owned ammunition plants in operation than on keeping private commercial plants in business?

General GREENBERG. Yes. the Army has an obligation to provide an adequate mobilization base. Workloading the government owned ammunition plants provides a controlled and reliable source of facilities and skills to manufacture the munitions needs of soldiers.

Senator DIXON. General Greenberg, if the committee can find $200–300 million to add to your budget in fiscal year 1990, what would be your highest priority programs?

General GREENBERG. Both the House and Senate have asked for itemized lists for potential additions to our budget. To be consistent with the Congress, the following items are submitted as fully executable programs in addition to those in the 1990 budget submission. The hardware item are in priority order sequence.

Item	Amount (millions)	Quantity (thousands)
Proj. 155 nuclear	$4.7	
AT4	3.0	3.5
CTG, 25mm, M919	10.0	112.4
[Deleted]		

Item	Amount (millions)	Quantity (thousands)
Grenades all types, L8A3	7.3	123.8
Mout fuze	18.0	250.0
CTG, 20mm, M940	10.0	581.1
CTG, 40mm, M430, HEDP	15.0	1,374.9
Nuclear wpns spt materiel	.6	
Grenades all types, other	2.7	(1)
Signals all types	1.2	(1)
40mm all types	7.0	(1)
CTG, 120mm, M865	15.4	22.0
Subtotal	(104.8)	
M206 flare	.8	61.1
M74 simulator	1.6	PIP
105mm blank	3.6	136.7
M804 projectile	17.0	117.3
M3 prop charge	4.3	81.0
Projectile, 155mm ADAM M731	20.1	4.5
Projectile, 155mm SMK, M825	40.0	109.3
7.62mm all types	10.0	34,482.8
Subtotal	(202.2)	
5.56mm all types	3.5	16,666.7
Provisioning of industrial facilities	22.9	N/A
Layaway of industrial facilities	60.0	N/A
Total	288.6	

(1) Various items.

MISSISSIPPI ARMY AMMO PLANT

Senator DIXON. General Greenberg, has the Mississippi Army Ammunition Plant ever successfully demonstrated the capacity to produce 120,000 rounds per month as it was designed to do?

General GREENBERG. No. MSAAP has not demonstrated its design capacity. A mobilization contract to perform a statistical demonstration is in process. It will be terminated, however because the Army has decided not to purchase any more M483 projectiles.

M483 ARTILLERY SHELL VERSUS M864 ARTILLERY

Senator DIXON. What is the difference between the M483 artillery shell and the M864 artillery shell?

General GREENBERG. The 155mm M483A1 artillery projectile has 64 M42 and 24 M46 grenades and has a maximum range of 18KM. The new M864 baseburner projectile contains 48 M42 and 24 M46 grenades and has a maximum range of 29KM, a 60% range increase over the M483.

Senator DIXON. Has the Army funded its full wartime requirement for the M483?

General GREENBERG. No, the Army has not funded the full wartime requirement. The 180-day Army acquisition objective for the M483 is 14,810,000 rounds. However, our procurement objective in accordance with defense guidance is [deleted]. Assets on hand at the end of fiscal year 1989 funded delivery period total [deleted].

Senator DIXON. Is there any reason why the Army should continue producing both the M483 and the M864?

General GREENBERG. Under the serious budget constraints we face, the preferred round for procurement is the M864.

Senator DIXON. Is there any prospect of substantial foreign military sales of the M483 artillery shell that would justify keeping open the Mississippi Army Ammunition Plant for this purpose?

General GREENBERG. At this time, there are no Foreign Military Sales (FMS) pending on the M483. The minimum sustaining rate (MSR) for this item at Mississippi Army Ammunition Plant is 240,000 per year. Past experience indicates that it is unlikely that any nation would request a buy of this magnitude.

METAL PARTS PRODUCTION FOR THE M864 ARTILLERY SHELL

Senator DIXON. The fiscal year 1990/91 budget includes production of 240,000 rounds of the M864 artillery shell in fiscal year 1990, but only 120,000 rounds in fiscal year 1991.

Why are you cutting back so severely on the production rate of this new round so soon after beginning production?

General GREENBERG. The reduction of the fiscal year 1991 program to 120,000 rounds was due to severe budget constraints. The Army's intent was always to maintain two producers for the M864. The fiscal year 1990 quantity was planned to allow both facilities to produce at the planned rate so that we would have proven production lines. The Army will maintain a warm base at both facilities until budget constraints dictate otherwise.

Senator DIXON. General Greenberg, is this proposed cutback in production of the M864 artillery round the reason why the Army is planning to close one metal parts production facility in fiscal year 1991, as you say in your statement?

General GREENBERG. Yes, sir. In fiscal year 1991 quantities of M864 (120,000 annually) will be competed between Scranton and Louisiana AAP's. Either facility could be a candidate for deactivation in fiscal year 1992. Subsequent increases in funding in fiscal year 1991 for M864 projectile would again permit workloading of both Scranton and Louisiana AAP's.

Senator DIXON. General Greenberg, which plants produce the metal parts for the M864 artillery shell? Is it the Army's plan to close down one of these facilities in fiscal year 1991? Which one?

General GREENBERG. Both Scranton and Louisiana AAP's have been facilitized to produce M864 metal parts at the rate of 10,000 monthly.

As stated before, in fiscal year 1991 quantities of M864 (120,000 annually) will be competed between Scranton and Louisiana AAP's.

CLOSURE OF A LOAD, ASSEMBLE AND PACK FACILITY

Senator DIXON. General Greenberg, your statement also indicates that the Army plans to layaway, or close, a Load, Assemble and Pack facility in fiscal year 1991. What is the reason for this proposal? What Load, Assemble and Pack facilities are being considered for layaway?

General GREENBERG. The additional $300 million received in fiscal year 1990 and the subsequent plus-up of the M864 from 120,000 to 240,000 will permit Kansas and Milan AAP's to both receive a portion of Load, Assemble and Pack (LAP) workload. Because of funding shortfalls, the fiscal year 1991 request had to be reduced to 120,000 rounds. This will require downselecting to only one LAP plant after completion. Since the quantity is inadequate to support both Kansas and Milan AAP's, current fiscal years 1991-1994 quantities of M864's (120,000) could be provided either Kansas or Milan. However, if Kansas is unsuccessful in their competing efforts, the plant could be a candidate for deactivation since the need for other products produced at this plant is extremely low.

RIVERBANK ARMY AMMO PLANT

Senator DIXON. General Greenberg, are there any funds in your fiscal year 1990 or 1991 budget request specificially earmarked for Riverbank Army Ammunition Plant in California? What are the Army's plans for this facility in fiscal years 1990 and 1991?

General GREENBERG. No fiscal year 1990 funds are specifically earmarked to workload Riverbank AAP; however, unless Norris Industries successfully competes for available workload, additional funds may be required in fiscal year 1990 to maintain the current workforce level until the anticipated operational date of the new flexline which is December 1990.

There is currently $3.7M in the fiscal year 1991 PBS program for prove-out of the flex-line. There are sufficient requirements in the out years to maintain the workforce at Riverbank AAP should Norris Industries' bids be competitive. If Riverbank is not successful, the retention of the current workforce level will be in jeopardy.

NEW PROGRAMS

Senator DIXON. The new M767 electronic time fuze is a new start in the current fiscal year ($23.2 million in fiscal year 1989)?

General GREENBERG. Technically, the M767 is a new start in fiscal year 1990; however, its production is just an extension of the M762 fuze production started in fiscal year 1989. The M767 is basically a M762 with a booster assembled to it so as to be able to initiate a high explosive artillery projectile. The M762 initiates cargo rounds.

Senator DIXON. Are the technical problems with this fuze all solved, and are the fiscal year 1989 funds on contract yet?

General GREENBERG. The technical problems were fully resolved prior to the type classification of the M762 fuze in September 1988. The fiscal year 1989 program has not been contracted yet. The sole source award is in final negotiations and the competitive portion is in source selection.

Senator DIXON. Will all of the $47.4 million requested for this program in fiscal year 1990 be needed?

General GREENBERG. Yes. It is planned to execute the entire fiscal year 1990 program as options to the fiscal year 1989 contract awards.

RDX-LAAP

Senator DIXON. General Greenberg, can you update the subcommittee on the status of construction of the new RDX Explosive Manufacturing Facility at Louisiana Army Ammunition Plant?

General GREENBERG. Under the original RDX strategy, we sought to award a contract to a single contractor to design, construct, document, provision, and prove out the facility and train our operators under a fixed price (Incentive) contract. The Army issued the request for proposal for this turn key plant on November 26, 1988. Best and final proposals were received on April 21, 1989. The proposals received for the current solicitation were considered unacceptable because of material exceptions taken by the bidders to the terms and conditions of the solicitation. The proposed exceptions were so substantial that acceptance of them required a new solicitation. The Source Selection Advisory Council met in conference on May 15, 1989. The Source Selection Authority outlined changes to the original strategy that increases the risk borne by the Government and is expected to attract acceptable proposals.

Major milestones are:

Issue new request for proposal June 1989.
Down-selection of bidders September 1989.
Selection of system contractor August 1990.
Award contract September 1990.

Senator DIXON. General Greenberg, the Congress has appropriated $355 million for construction of this facility. Will this be enough to complete construction of this facility?

General GREENBERG. The acquisition concept for the project changed since the funding profile was first estimated in 1983. The price originally quoted by the Army will likely increase because of inflation, and because multi-products were not included in the original estimate. Additional funds may be required to cover the system contractor's added risk in assuming full responsibility for design through prove-out, training and certification at a fixed price. The full dynamics of competition in the acquisition of the plant will allow the marketplace to determine the lowest price for the plant. The Army will base subsequent programmatic decisions on this pricing and will coordinate requirements with the Congress.

It is our current estimate that the full acquisition of the most comprehensive system including all multi-product options, utilities, acid facilities, and support facilities may range between $415.0 to $487.0 million. The full system may, therefore, require appropriations and authorizations between $80.0 to $152.0 million above the current program of $335.0 million. We are confident, though, that a basic facility to manufacture Composition A5 explosives can be acquired within the current program mark of $335.0 million.

M864 BASE BURNER SECOND SOURCE SOLICITATION

Senator DIXON. The Army submitted its Ammunition Production Base Management Policy to Congress on July 8, 1988. According to that document, it is Army policy to place primary reliance on private industry for the production of military items when industry is willing to make the necessary capital investment. Why then did AMCCOM permit Government-owned-Contractor-operated (GOCO) plants to compete for the M864 Base Burner based on evaluation of the GOCO estimated out-of-pocket-costs only?

General GREENBERG. The basic concept of the Arsenal Statute as directed by the Comptroller General is "a requirement that Government-owned industrial facilities should not be permitted to lie idle if it would be possible to use such facilities at a cost to the Government no greater than the cost of procuring such needs from private industry."

Senator DIXON. How can private industry compete against GOCO's having (1) rent free use of Government-owned facilities including real estate, (2) a cost type contract, (3) indemnification for all liabilities to third persons, and (4) evaluation of its proposal at less than full cost? What is the Army's definition of "out-of-pocket" costs?

General GREENBERG. The GOCOs have a distinct advantage in this area. Out-of-pocket costs include at a minimum all direct labor and direct material costs. Also included may be other costs directly attributed to the product manufacture. The Comptroller General has stated that the basic concept of the Arsenal Statute is "a requirement that the Government-owned industrial facilities should not be permitted to lie idle if it would be possible to use such facilities at a cost to the Government not greater than the cost of procuring such needs from private industry."

Senator DIXON. Was AMCCOM solicitation for the M864 Base Burner modified in the middle of the bidding period to add the GOCO out-of-pocket competition feature. If so, why?

General GREENBERG. The AMCCOM fiscal years 1989-1990 second source solicitation for the M864 Base Burner Assembly was issued December 22, 1988 and was amended February 8, 1989 to add the provisions for GOCO versus COCO competition. At the time of issuance of the solicitation, it was not known that any GOCO would be competing. Once the cognizant Contracting Officer was made aware that a GOCO might be competing, as authorized by the Arsenal Statute, the provisions were added by amendment to the solicitation.

Senator DIXON. Does the Army plan to continue to permit the GOCO's to continue to compete with the private sector with evaluation of the GOCO proposals on out-of-pocket cost only?

General GREENBERG. Yes, when and where necessary.

CLASSIFIED PROJECT

Senator DIXON. The Budget Amendment deletes $30.9 million from a classified Army ammunition program in fiscal year 1990 and adds $31.7 million for the same program in fiscal year 1991.

Which program is this?

General GREENBERG. Sir, this is the XM900E1, 105-millimeter Armor Piercing Fin Stabilized Discarding Sabot with Tracer (APFSDS-T) program currently in development.

Senator DIXON. Why is it being re-phased?

General GREENBERG. This is the advance 105-millimeter APFSDS-T tank round in development which has slipped type classification for limited production (TCLP) by 1 year due to technical in-flight dispersion problems. A "Red" team has been formed to resolve the technical problems and bring the development in line with the revised TCLP date of September 30, 1989. Redesigned rounds with modified sabot have been recently fired at one of our proving grounds and the test results have been "optimistic". To assure program execution within the funded delivery period and allowing for the aforementioned TCLP slip in fiscal year 1989, the fiscal year 1990 decrement and fiscal year 1991 increase budget actions were made.

QUESTIONS SUBMITTED BY SENATOR SLADE GORTON

CLOSURE OF A LOAD, ASSEMBLE AND PACK FACILITY

Senator GORTON. General Greenberg, on page 3 of your statement, you discuss the ammunition plan closures which will be required under the current level of funding for ammo and the related production base. What level of funding would be required to keep the plans open, this is the total level of funding? What is the increment of funds that would be required to keep open the Mississippi plant?

General GREENBERG. An in-depth study of all service requirements versus OSD guidance would need to be performed to provide an accurate portrayal of ammunition programs that would not exceed authorized levels of supply, thus preventing complete line shut down in the future. It is estimated the total funding of $2.7 billion would be required to sustain workloads and stable employment level at the fourteen (14) active GOCO plants. Based on the fiscal year 1990 budget guidance ($1.7 billion) an additional billion would be required.

Mississippi AAP was designed and built to manufacture M483 projectiles. Approximately $120 million is required to keep the Mississippi plant open. This will provide for 240,000 155mm M483 ICM projectiles. This cost does not include the propelling charges and fuzes.

AMMO PLANT CLOSURES

Senator GORTON. General Greenberg, on page 3 of your statement, the method of determining ammo requirements is explained. We know the level requested in the budget is constrained and lower than required. For the generally accepted worldwide scenarios, how much lower, in dollars, than the needs for unit issues, war reserves, and training are we? Or put another way, with the current levels of stocks and production base, what kind of worldwide commitments can the United States support? (Please give the scenario used.)

General GREENBERG. Training requirements are fully supported in our fiscal years 1990/91 budget request. To meet the defense guidance objective of [deleted] for war reserve items by the end of fiscal year 1994, we would need [deleted] in addition to what is programmed in the five year defense plan. However, this level of funding could not be executed considering our current production capacity. An ammunition budget of approximately $2 billion dollars per year could be prudently executed and would support training and a moderate build-up of war reserve stocks.

[Deleted].

Senator GORTON. General Greenberg, a number of years ago this committee requested DOD and GAO studies on the current ammo and production base shortfalls. It was over $50 billion for production base and, depending on the scenario, an equal or higher amount for stockpile shortages. Could you give us some idea of the current situation?

General GREENBERG. Yes. The current situation has not improved. We have not provided sufficient sustainability funds to enhance either the production base or the stockpile.

Senator GORTON. General Greenberg, I have a couple of questions relating to the Radford Army Ammunition Plant in Virginia.

First, Radford is the only U.S. producer of DIGL, used in the 120mm MI tank round. Having no U.S. source could have an impact on national security during a crisis or mobilization. Indications are that Hercules, the contractor at Radford, is planning to purchase DIGL from West Germany.

Is the Army considering purchasing DIGL from a foreign manufacturer?

General GREENBERG. The Army is procuring the 120mm on a systems contract basis. Since systems contractors are competing for a 65/35 percent share of the annual buy, the prime contractors each negotiates with subcontractors in order to present the government with the best price per round.

The Army's current contracts and solicitations urge the prime contractors to use Army owned plants such as Radford AAP, U.S. sources or develop U.S sources thru self-facilitization. The Army has not restricted offshore acquisitions since the limited U.S. production capability on certain items might impact the delivery schedules and fielding of the 120mm system prior to establishment of U.S. sources. Radford AAP's limited capacity did require prime contractors to obtain some 120mm propellant offshore in 1988.

Senator GORTON. Second, with the anticipated decrease in ammunition production in the coming years (through fiscal year 1996) and the critical need to maintain combat sustainability, are there adequate war reserves in the CONUS and overseas to meet our needs? Is there adequate production base to meet the war reserve shortfalls, if production had to be directed?

General GREENBERG. Yes, there are adequate facilities within the GOCO/GOGO/COCO ammunition production base to meet the war reserve shortfalls. It should be noted that some expansion to the base would be required if the reserve shortfalls were required to be delivered in a short period of time (next 3–5 years). If the requirements were directed for a longer period, they could be produced without expanding the base.

9MM HANDGUN

Senator GORTON. General Greenberg, the personal defense handgun, 9mm procurement decision was expected this week for the follow-on lots. Would you give us some idea of what the latest schedule for this decision is?

General GREENBERG. The testing is complete and the cost proposals have been received. Announcement of the winner will be made after all data have been reduced and the Army leadership briefed. The schedule for this decision was and, to the best of my knowledge, remains mid-May. I, therefore, expect the announcement within the next few days.

Senator GORTON. General Bracken, on pages 1–3, you explain the lower levels of funding by stating that the Air Force is in a cycle with few new products to buy, because they are not out of development and testing. This would assume that stocks of all other needs are adequate, or you do not wish to buy any of the older ammo preferring to wait on the new ones, or perhaps there is just not enough funds to buy additional stocks of existing munitions.

Which of these options, or combination, is the most accurate?

General **Bracken**. It depends on the munition, though for the most part, it is a combination of the first and third factors. In some cases, we have achieved the Defense Guidance Mid-Term Objective and are reducing our procurement quantities to a level consistent with training requirements. In other instances, we are procuring items in order to progress toward the Mid-Term Objective. Examples are the B-1B infrared countermeasure flare and the FMU-139 fuze. Still, there are items where affordability considerations were a part of our decision, such as the Combined Effects Munition, or where the item cannot be procured because of programmatic problems, the improved 2000 pound hard target bomb. We continue to procure existing weapons to meet target requirements rather than wait. Sensor Fuzed Weapon (SFW) is not ready for production until fiscal year 1991, but we are procuring Maverick missiles in the Missile Procurement Appropriation to attack the same target, namely, armor. We are not forestalling progress in attaining sustainability goals but actually are improving our capability to defeat various threats.

WAR RESERVE STOCKS

Senator **Gorton**. General Bracken, on page 6 of your statement, you admit that war reserve stocks will have to be drawn down to meet training needs.

How long can you continue this practice without doing serious damage to Air Force readiness and sustainability? When do you hope to reach a level of funding that will allow you not to draw down reserve stocks for training?

General **Bracken**. The stocks I refer to in my statement are training munitions stocks, not war reserve stocks. For example, my statement addresses practice bombs. We will not use war reserve stocks such as live MK-82 and MK-84 general purpose bombs for training except in a few, special training cases. Live bombs have limited training use because of bombing range restrictions. Instead, we are requesting more BDU-33 practice bombs to offset our shortages of heavyweight training ordnance. I would add, however, that HQ USAF carefully scrutinizes requests to draw down war reserves and we ensure that this practice is on an exception basis. As to whether we will ever achieve a time when we do not have to draw down war reserve stocks for peacetime usage, this is difficult to forecast since drawing down of war reserve stocks does not occur solely because of funding shortfalls. In some instances, we have to use war reserve stocks because of production problems or because the item is no longer in production and it is not cost-effective to start-up a production line.

Senator **Gorton**. General Bracken, on pages 7-10 of your statement, you describe a number of acquisition actions you are taking and/or considering in buying ammo and facilities.

Do any of these actions require enabling legislation from the Congress or does current legislation and/or restrictions prohibit your action?

General **Bracken**. No, these are all management actions which we can undertake independently or in conjunction with the Army Single Manager for Conventional Ammunition.

Questions Submitted by Senator Pete Wilson

AMMO STOCKPILE

Senator **Wilson**. We all recognize that during peacetime, and especially during defense budget draw-downs, we procure far less ammunition than we would have to in the event of a "shooting war". What are we doing to ensure that we maintain those essential production facilities—both government-owned as well as private contractor-owned—that we will need in an emergency?

General **Greenberg**. The Army has developed a set of Ammunition Production Base Management Policies which are designed to make the best use of funds available to work load and maintain the base.

Senator **Wilson**. General Greenberg, describe, if you will, what is being done to ensure that the privately-owned facilities considered essential to the Ammunition Mobilization Base are receiving sufficient work to maintain them during this period of declining defense budgets and reduced ammunition production.

General **Greenberg**. Competition within the United States/Canadian Industrial Base is maximized to the fullest extent possible, except where specific suppliers must be protected. It is the Army policy that quantities over and above the mobilization 1-8-5 capability that are necessary to maintain the existing base will be competed among the United States/Canadian Industrial Base. If there is not enough work for existing producers, then the Army will not increase the number of producers.

To ensure that the mobilization production base is available for use and to minimize the possibility of hostile or political interruption of production sources, procurement for critical items and components continue to be restricted to the United States and Canadian suppliers. This restriction is limited to items (and related critical components) on the Industrial Preparedness Planning List (IPPL) or planned replacement for items on the IPPL. Non-IPPL items are normally competed using full and, open competition, although other strategies may be more appropriate; i.e., Small Business set-asides.

There are specific instances where ammunition is procured offshore, i.e., when our minimum sustaining rate cannot be met domestically, international agreements, and coproduction arrangements. Even under these circumstances, the producers are encouraged to facilitize within the United States/Canada.

Senator **Wilson**. Would you explain the difference, if any, between "workloading" a GOCO and issuing a sole source contract to a private facility?

Why does the Government appear to be more inclined to workload the GOCO's?

General **Greenberg**. Government-Owned Army Ammunition Plants are workloaded based on good business sense considering unique capabilities, cost, delivery, and skill retention. Workloading of the Government-Owned AAPs is accomplished to stabilize the workforce in a reasonable manner to prevent major yearly fluctuations. A cadre of warm plants is maintained to supply unique items, provide surge mobilization capability, and to preserve skills which commercial industry is unwilling or unable to supply. The practice of issuing a sole source contract to a private facility is very restricted under the competition in contracting act. Competition within the United States/Canadian industrial base is maximized to the fullest extent possible except where the following conditions prevail:

(1) Urgency—Additional quantities can be added to an existing contract when urgency can be demonstrated.

(2) Single Source Producer—When only a single source exists due to technology complexity, investment requirement, and quantities are unattractive to other producers.

(3) Protect Critical Skills—Skill base would be difficult to replace if abolished and time consuming to reestablish.

(4) Base Retention—Supplier must be protected since it is essential to National Defense.

When similar capabilities exist at both Government-Owned and Commercially-Owned facilities the decision is based on factors such as capacity, costs, ability to meet deliveries, skills retention, maintaining critical producers, and workload balance. In general, metal parts are produced in the COCO sector, unless it is not in the best interest of the production base. The base must be balanced between Government and commercial producers to assure a cadre of expertise and physical capability.

Workloading efforts concentrate on items not readily available in the commercial sector. Government facilities augment commercial industry taking responsibility for those items which are not generally commercial adaptable and industry is not willing to facilitize and maintain. As the need for production capability for new items is identified, reliance is placed on the commercial sector for metal parts, assemblies, and electronics, with self-facilitization as a goal. The Government sector continues to be the prime producer of propellants, explosives, and lethal munitions, load, assemble, and pack (LAP).

Questions Submitted by Senator Trent Lott

LAYAWAY COST

Senator **Lott**. You say in your statement that it will cost $20.8 million to layaway the plant in 1990. After layaway, I understand that you plan to put it into "standby status" for mobilization—how much will it cost to keep it in standby status? If we had to mobilize, how long would it take to bring the plant back into production?

General **Greenberg**. It will cost approximately $13.4 million per year to maintain MSAAP in a standby status. It will take approximately 5-9 months to bring the factory out of standby to produce the first round and an additional 12-18 months to reach full mobilization.

MANUFACTURING TECHNOLOGY

Senator **Lott**. The plant uses computer driven robotics and associated electronic equipment extensively. With the current pace of change in electronics technology and the fact that electronic equipment is known not to hold up well in storage, won't the manufacturing capability of this plant face "technological perishibility" if you put it in standby and don't keep it operating and up to date? What experience do you base that answer on?

General **Greenburg**. Obsolescence will occur because of rapid advances in the fields of computers and automated equipment. The equipment and computers will remain usable but after a period of time manufacturers will cease to provide technical support (i.e., spare parts, service bulletins et cetera). This will occur even if the equipment remains in operation. Deterioration will occur during storage but steps will be taken to keep this to a minimum by dehumidification and other means. Consideration is being given to the purchase of spare parts to sustain and extend the storage life of the inactivated plant. The Army has substantial experience with the purchase and long term storage of electronic equipment. The Communications and Electronics Command has been faced with the situation described with its components. We plan to use their expertise when developing the layaway and reactivation plans for MSAAP.

Questions Submitted by Senator Arlen Specter

M577 MECHANICAL TIME FUZE

Senator **Specter**. The fiscal year 1988 HAC Report stated the committee's intent that the Army is expected to maintain two M577 mechanical time producers during the transition period prior to the replacement electronic fuze. Why didn't the Army respect that intent in the fiscal year 1989 procurement of the M577 fuzes? Why did the Army make a 100 percent award to one contractor when at that time it had not even concluded its first solicitation of a sole source award for a limited number of M762 electronic fuzes?

General **Greenberg**. The Army has complied with the language in the fiscal year 1988 HAC report. Two contracts were awarded to both producers of M577 fuzes in fiscal year 1988. In the June 1, 1988 transmittal letter accompanying the Army's report to the Congressional Oversight Committees, the committees were informed that, as part of the transition from the M577 fuze to the M762 fuze, only one award would be made on the M577 fuze in fiscal year 1989. This was done so as to accommodate the introduction of competition on the M762 fuze and establish multiple sources as early as possible.

M762 ELECTRONIC FUZE

Senator **Specter**. Why hasn't the Army demonstrated to the committee that the high cost of the M762 electronic fuze is justified for procurement now (as required by the report) when the fuze's remote set capability cannot be utilized until 1999?

General **Greenberg**. The Army's report to the committees stated that "based upon projected procurement buys, it is estimated that direct cost comparability will be realized after approximately three years of M762 fuze production". The remote setting feature of the M762 fuze provides one of the building blocks towards an evolving automated howitzer system to obtain a higher rate of fire and reduce crew size at the weapon. In addition, the cost of the remote feature in the fuze represents less than two percent of the unit cost.

Senator **Specter**. The Army is fully aware that Congress has requested the GAO to make a cost benefit analysis of the electronic fuze and report its findings before fiscal year 1990 funds will be released for procurement. Why is the Army intentionally eliminating competition from its industrial base for production of the M577 fuze before the results of the GAO cost benefit analysis is completed?

General **Greenberg**. The fiscal year 1989 Joint Appropriations report directed the GAO, as part of its annual review of ammunition procurement, to conduct such a cost benefit analysis. The Army was not required to delay the acquisition of the electronic time fuze and, hence, it has maintained a diligent schedule to execute the fiscal year 1989 program based upon an approved acquisition strategy.

Senator **Specter**. Doesn't the elimination of competition make it appear the Army is creating a self-fulfilling prophesy in that it hopes to have no other choice than to procure the extremely high cost M762 fuze in spite of all logic to the contrary?

General **Greenberg**. The strategy to convert from mechanical time to electronic time fuze technology was laid out over 20 years ago and made known to industry. In the meantime, the Army has assiduously maintained the two current producers until the development of the M762 electronic fuze was completed. These producers have supported such a plan and were fully aware that the M762 fuze would replace the M577 fuze. The award of one contract for the M577 fuze in fiscal year 1989 is part of the transition plan and not intended as elimination of competition. As stated earlier, the competition is being established for the M762 fuze.

Senator **Specter**. The Army has frequently referred to a diminishing industrial manufacturing base for mechanical time fuzes and similar devices. Isn't this because of the lack of Army procurement for these types of programs? For instance, the demands during the Vietnam conflict cannot rationally be compared with the peacetime demand for equipment, etc. Doesn't the Army have an adequate precision manufacturing industrial base for gears and pinions to meet the services' needs?

General **Greenberg**. The need to protect the industrial capability for precision components such as the gears and pinions was dictated by the fact that many of the munitions required such components. However, the new technologies used in the evolving munitions as replacement to the older generation munitions de-emphasize the need for these precision components. The development and fielding of the M762 is perhaps a case in point. Smart munitions rely predominantly upon emerging technologies requiring no precision components.

CICA LAW

Senator **Specter**. Is the Army using the CICA law to drive its industrial suppliers out of business by forcing unrealistically low pricing? Examples may be Action Manufacturing and Sooner Corporation.

General **Greenberg**. Quite the contrary. The Army has protected its industrial base under the exceptions allowed in the CICA. The financial difficulties encountered by some of the industrial base producers did not result from any direct government actions.

SELLING FUZE COMPANIES

Senator **Specter**. Is there a trend for large corporations to sell their fuze companies, such as Astra's purchase of Accudyne Corporation and the sale of KDI?

General **Greenberg**. The Army does not track corporate mergers and acquisitions. The only involvement is whenever there is reason to believe that such corporate actions jeopardize fulfillment of contractual obligations to the Government.

Senator **Specter**. Doesn't the reduction of the mechanical time fuze (M577) mobilization base add to the overall shrinking of the entire fuze base?

General **Greenberg**. No, it does not. The M762 electronic time fuze will be a direct replacement to the M577 mechanical time fuze and will be supported by the fuze industrial base for mobilization.

Senator **Specter**. Isn't there a need to maintain a readiness, surge capability in this base against future demand for national security?

General **Greenberg**. It is planned to maintain the M577 lines in layaway status to support the mobilization requirement until the M762 has the capability to support it entirely.

M762 ELECTRONIC FUZE

Senator **Specter**. Since the Army is "planning" to go forward with the M762 electronic time fuze, and considering its design originated many years ago, the Army will need to make certain there will be a continued supply of all of the electronic fuze components. How can the Army ensure availability of electronics components in the future when obsolescence occurs approximately every year in this field?

General **Greenberg**. There is a recognition of rapid obsolescence taking place in electronics and other emerging technologies. This concern is germane not just to fuzing but also to many other defense and commercial products. As far as fuzes are concerned, it is expected that the technical data packages will be updated periodically by taking advantage of the evolving development in the applicable areas.

Senator **Specter**. Since the United States cannot competitively manufacture digital watches, semi-conductors and pocket calculators, how does the Army intend to maintain a U.S. production base for like components to support the fuze?

General **Greenberg**. The electronic fuze base will be restricted to the United States and Canada. However, in compliance with the CICA, there will be competition within that base to ensure that a competitive price is obtained. Recent historic data has shown that fuze costs have come down while maintaining an onshore manufacturing capability.

Senator SPECTER. Isn't the Army's industrial electronic parts base being made up of insured obsolescence from the beginning?

General GREENBERG. The electronics technology does change quite rapidly. There is a likelihood that such changes can and will create some aspects of the munitions design obsolete. However, in re-affirmation of an earlier response, it is expected that individual technical data packages will be updated by taking advantage of newer development. Such a process, in turn, should keep current the availability of the widest and latest manufacturing industrial base in the United States to produce munitions instead of relying on older technologies.

COST COMPARATIVE STUDIES

Senator SPECTER. The Army's procurement plan for the M762 electronic fuze through 1994 totals 2,534,000 units at a cost of $236,111,000. The cost of these same quantities for the M577 mechanical fuze will approximate $101,000,000 at today's prices. How can we in the Congress, and you in the Army justify spending $135,000,000 dollars more for no increased combat effectiveness or readiness through this period, since the electronic fuze's remote-set capability cannot be utilized.

General GREENBERG. The Army has conducted cost comparative studies between the M577 MT fuze and the M762 ET fuze. The latest update dated January 1989 was submitted to the GAO to support its cost benefit analysis as directed by the 1989 Joint Appropriations language. The higher initial cost of the M762 electronic time fuze is expected to be completely offset by its lower cost beyond the third year of production. By 1994 the overall program costs will have been equalized between the M762 and the M577 fuzes. The Army then will have gained by (a) obtaining a potentially larger industrial base, (b) a fuze that is easier to set in the field without any need for external setters, (c) fewer setting errors and (d) faster setting time. In addition, the M762 remote setting feature provides one of the building blocks for an automated howitzer weapon system to enhance the rate of fire and contribute to the reduction of weapon crew size.

ET FUZES

Senator SPECTER. In 1987 in an "Information Paper" submitted by the U.S. Army to the congressional committees it was stated "The ET fuzes are easier and more accurate to set by hand, have improved timing accuracy at long ranges, improved point detonating responsiveness and (most importantly) will be capable of being set by inductive automatic fuze setters." In 1989 in an "Information Paper" submitted by the U.S. Army it is stated "at this time the Army does not plan to retrofit existing artillery weapons for remote set capability." When will the Army have a fielded artillery weapon capable of exploiting the remote set feature?

General GREENBERG. The Acquisition Plan for Heavy Force modernization approved by the Under Secretary of the Army does provide for the Advanced Field Artillery System (AFAS) to be in the hands of the troops in 1999. However, the remote set feature in the M762 fuze represents one of the building blocks required for the automated weapon system. It will enhance the rate of fire and contribute to a reduction of crew size at the weapon. The cost of this remote feature in the fuze is less than 2 percent of the fuze unit cost.

5-YEAR DEFENSE PLAN

Senator SPECTER. In the 5-Year Defense Plan the Army tentatively plans to procure 2.5 million M762/M767 fuzes for a total cost of $236.1 million. This averages to be $93.18 per fuze over the FYDP. In fiscal year 1989 the cost per fuze is $161.00; and in fiscal year 1990 $101.00 per fuze. In fiscal year 1994, the end of the FYDP, the Army expects the M762/M767 to cost $79.86 per fuze. In the most recent contract award for the M577 the unit cost is $38.59. How does the Army rationalize paying a premium for a fuze whose unique feature cannot be used by the troops in the field until beyond 1999? Please submit the committee the initial cost/quantity figures submitted by the sole source contractor and each of the second source bidders.

General GREENBERG. The unit cost of $38.59 is considered an anomaly and was due to the fact that a single award was made. This action is part of the phaseout strategy of the M577 fuze which was known to the producers. Although some of the above cited unit costs are somewhat misstated, the $93.18 overall unit cost is correct. The program costs were derived in early 88. Based upon the latest cost study completed in January 1989, these costs are overstated. However, since the competitive solicitation is presently underway, actual cost data for fiscal year 1989 and fiscal year 1990 will be available upon which to base a more accurate projection of the FYDP program costs. The cost study also established that cost parity would be achieved with the M577 in the third year of production based on like quantities and strategy and that, thereafter, savings will accumulate in favor of the M762 fuze. Finally, the cost of remote set represents less than two percent of the fuze unit cost and is considered insignificant considering all the other benefits of this fuze in addition to providing one of the building blocks in support of the evolving automated howitzer system. The results of the sole source and competitive solicitations will be made available to the committee upon award of contracts.

Senator **Specter**. In its most recent "Information Paper" the Army states it is paying the winning contractors to perform their own production engineering prior to production to verify that they understand and can build to the Government's technical data package. "This is intended to minimize the risk of subsequent claims". This statement would seem to state that the Army does not have a validated competitive reprocurement data package. Does this mean every new producer will have to be funded by the Army to do their own preproduction engineering? Will that cost be reflected in the production unit cost of the fuze or does that funding come from a different budget account?

General **Greenberg**. The preproduction clauses are fairly standard procedures in the acquisition cycle utilized at the initial production stage of an item. It provides for fresh inputs from selected new contractors and allows for the fine tuning of the technical data package. This process will not be repeated in subsequent reprocurement actions. The cost of preproduction engineering will be part of the cost reflected in the unit cost of the fuze although it will be treated as a separate contractual line item.

XM762/XM767 ARTILLERY FUZE

Senator **Specter**. The Army states there is a firm operational requirement for the XM762/XM767 artillery fuze even though its unique feature, i.e., remote set, cannot be deployed by the troops in the field until beyond 1999. With the ammunition procurement request for fiscal year 1990 at about $1.5 billion compared to $2.2 billion in fiscal year 1988, are there any ammunition items which are not being procured due to the reduced funding levels? If so, could not the funds programmed for the XM762 be more effectively used to procure those items?

General **Greenberg**. Due to budgetary constraints, many ammunition items did not receive funding support in the fiscal year 1990/91 budget submission. However, the Army considers the introduction of the M762/M767 fuze to be a most effective use of procurement funding.

Senator **Specter**. The committees of Congress often request the executive branch of Government to certify to a claim made to the Congress. Who is the individual this committee holds responsible for the critical monitoring of this program?

General **Greenberg**. The Assistant Secretary of the Army (Research, Development and Acquisition) is responsible for the execution of this program.

Senator **Specter**. This committee is concerned about the total cost to the Government and taxpayers. We can no longer afford non-essential or operationally unusable frills in military weaponry. Therefore, how can the Army in the current austere period persist with this electronic fuze whose capabilities cannot be fully utilized until beyond 1999?

General **Greenberg**. The Army's decision to proceed with the introduction of the M762 electronic time fuze was based upon extensive evaluation of all the factors bearing upon the acquisition of this item. The most recent cost study dated January 1989 (which was provided to the GAO for its cost benefit analysis) established that the M762 fuze would achieve cost parity with the M577 fuze in the third year of production given same quantities and procurement strategy. It was established that the higher initial costs of the M762 would be offset by its lower costs beginning in fiscal 1991. Additionally, the remote set feature in the fuze is an essential requirement towards the evolution of the automated howitzer weapon. The availability of such an insignificantly low cost feature built into the fuze hardware ensures the viability (as one of the building blocks) of the Advanced Field Artillery System. Specifically, the remote set provides one of the key elements to obtain a higher rate of fire and contributes to the reduction in crew size.

[Whereupon, at 3:43 p.m., the subcommittee was adjourned.]

DEPARTMENT OF DEFENSE AUTHORIZATION FOR APPROPRIATIONS FOR FISCAL YEARS 1990 AND 1991

WEDNESDAY, MAY 31, 1989

U.S. SENATE,
SUBCOMMITTEE ON READINESS,
SUSTAINABILITY AND SUPPORT,
COMMITTEE ON ARMED SERVICES,
Washington, DC.

DOD FACILITY MODERNIZATION AND FACILITY REQUIREMENTS IN THE NATIONAL CAPITAL REGION

The subcommittee met in open session at 2:04 p.m., Senator Alan J. Dixon (chairman of the subcommittee) presiding.

Committee member present: Senator Dixon.

Professional staff members present: Robert E. Bayer and David S. Lyles.

Minority staff members present: Patrick A. Tucker, minority staff director and counsel; Romie L. Brownlee, deputy staff director for the minority; George K. Johnson, Jr., Ronald P. Kelly, and George W. Lauffer, professional staff members.

Staff assistants present: Mary J. Kampo and Melissa A. Ramsey.

Committee members' assistants present: Charles C. Smith, assistant to Senator Dixon; Terrence M. Lynch, assistant to Senator Shelby; Grayson F. Winterling, assistant to Senator Warner; Robert M. Soofer, assistant to Senator Gorton; and Charles G. Pearcy, assistant to Senator Lott.

OPENING STATEMENT OF SENATOR ALAN J. DIXON, CHAIRMAN

Senator DIXON. Ladies and gentlemen, this afternoon the subcommittee continues its review of the amended fiscal years 1990 and 1991 defense budget request, and today the subcommittee will focus its attention on the maintenance and modernization of the Defense Department's installation infrastructure.

With the reorganization of the committee at the beginning of the 100th Congress, the Subcommittee on Readiness, Sustainability and Support was given oversight responsibility for both the operation and maintenance and the military construction authorizations.

This charter provided us a unique opportunity to review the facility funding strategies of the military services covering not only new construction proposals, but also options to repair or renovate existing facilities and lease facilities rather than capitalizing their construction.

In this era of austere funding, the upkeep and modernization of the DOD's facilities are difficult challenges at best. With the competition for scarce resources becoming more intense, it's clear that the Department needs both critical management expertise and the tools to create the most favorable strategies to maintain past facilities investments, meet new mission requirements, and replace obsolete buildings, utility systems, and pavements.

The funding levels of the past several years and the prospects through the 5-Year Defense Plan suggest that we, both Congress and the Department, may not be providing adequate resources to this task. The subcommittee is not likely to find substantial additional resources to address these shortfalls.

Therefore, we want to understand and encourage the most creative management approaches to these problems. Where appropriate, we would like to consider legislation which would provide the military services maximum flexibility to meet today's and tomorrow's facility needs.

This afternoon we have an ambitious agenda with two panels of witnesses. In panel 1 we will hear from representatives of the Office of the Secretary of Defense and the military services regarding the overall challenge of meeting facility needs in this era of scarce resources. In panel 2 we will receive testimony from Defense Department and General Services Administration witnesses regarding facility requirements in the National Capital Region.

On panel 1 we welcome Mr. Pat Meehan, Director of Facility Requirements and Resources with the Office of the Secretary of Defense, Maj. Gen. Peter J. Offringa, USA, Assistant Chief of Engineers, the Department of the Army, Rear Adm. James Doebler, USN, Director of Shore Activities Division, Chief of Naval Operations, Maj. Gen. Joseph A. Ahearn, USAF, Director of Engineering Services, Headquarters, U.S. Air Force, and Brig. Gen. Michael Downs, USMC, Director of Facilities and Services Division, Headquarters, U.S. Marine Corps.

Now, gentlemen, we have read your prepared statements. They will be included in the record in their entirety following any opening statement by the ranking member of the subcommittee, should he arrive shortly. I would suggest you begin with a 5- to 10-minute oral summation so that we can quickly move to questions.

Mr. Meehan and fellow panelists, we welcome you to this subcommittee hearing. I would greatly appreciate it, gentlemen, if you would limit your remarks to not in excess of 10 minutes because we have two panels and quite a bit of questioning to dispose of.

I would like to submit for the record, prepared statements by both Senators Gorton and Thurmond.

[The prepared statements follow:]

PREPARED STATEMENT BY SENATOR SLADE GORTON

Mr. Chairman, I would like to join you in welcoming both panels of witnesses to today's hearing. The budget increases of the 1980's did little more than address some of the neglect of previous decades plus construct some essential new mission facilities. The years ahead will obviously be lean, which indicates to me that facilities in need of replacement will again be deferred. Operations and support costs will increase accordingly.

While it is obvious that facilities contribute indirectly to readiness, I feel that there is a much higher payoff in retention and morale when our young men and women have adequate living and working conditions. It is very difficult to quantify this factor, but I feel that it is often over looked by the services and the Department of Defense.

Mr. Chairman, I look forward to the testimony of the witnesses, but I must add that I am concerned about the condition of the Pentagon and the high cost of renovating the building. The Department of Defense has paid a considerable sum to the General Services Administration over the years with the expectation that the Pentagon would be adequately maintained. I was surprised to learn that the funds paid by the Department of Defense have not been applied to DOD projects, but have been used in many cases to build non-defense related buildings elsewhere. I look forward to a detailed explanation of this. Thank you, Mr. Chairman.

Prepared Statement by Senator Strom Thurmond

Thank you, Mr. Chairman. I join you in welcoming our distinguished panel to today's hearing on the fiscal year 1990 and 1991 Military Construction budget request.

Mr. Meehan, your prepared statement contains very startling information regarding the shape of our military facilities. When I read that 30 percent of the Department of Defense's buildings are considered as substandard, and at the same time I am told that only 25 percent of the construction request is for replacement or modernization of facilities, I have to question the funding priorities.

Mr. Chairman, I am concerned that the figures presented in Mr. Meehan's statement regarding the state of repair of our military installations represent the tip of the iceberg. I believe our Military Construction program has suffered at the expense of weapons systems and other more glamorous programs. Hopefully, the members of this committee will agree with me and reverse that trend before our military bases collapse around us as are the bridges of our highway system.

Thank you, Mr. Chairman. I have several questions for our panel.

Senator **Dixon**. Are you prepared to proceed, Mr. Meehan? Will you be first?

STATEMENT OF PATRICK MEEHAN, DIRECTOR, FACILITY REQUIREMENTS AND RESOURCES, OFFICE OF THE SECRETARY OF DEFENSE, DEPARTMENT OF DEFENSE, WASHINGTON, DC

Mr. **Meehan**. Yes, Mr. Chairman, I am.

I appreciate your comments about the need for facilities, and I could not agree with you more.

Mr. Chairman, I am pleased to be here today with my colleagues to present the Department of Defense military construction budget for fiscal years 1990 and 1991 and to tell you about our need to invest in defense facilities.

The military construction budget is based on an assessment of the perceived threat to our national security and on a determination of the new facilities required to deploy and maintain defense systems, train our forces, and take care of our people and their dependents.

Added to these requirements are projects needed to protect our existing plant account and keep it operating for its intended purposes.

The request for fiscal year 1990 appropriations totals $8.1 billion and includes about 35 percent for construction to support new weapons systems, 25 percent for replacement or modernization, and about 40 percent for family housing.

The fiscal year 1991 military construction budget totals $9.3 billion. Although in real terms the 1991 budget is still less than fiscal year 1989, it would help us recover from the fiscal year 1990 reductions by restoring some of our construction base.

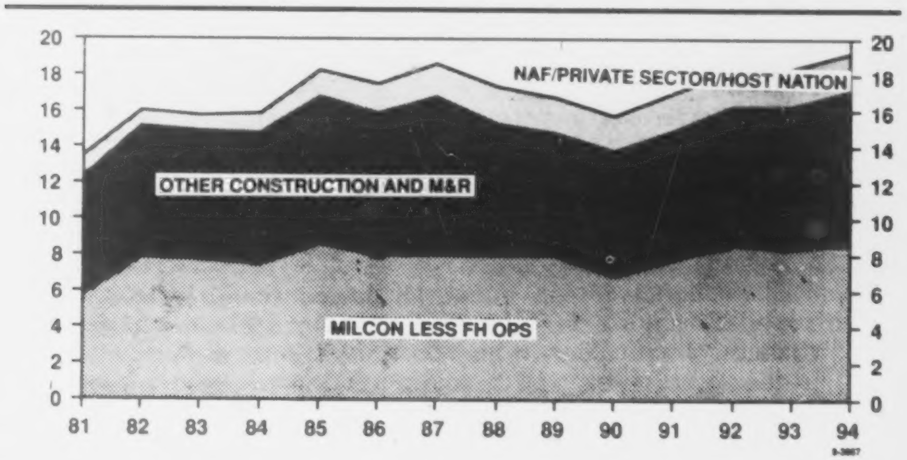
Facility investment is vital to the success of national security. In order to achieve maximum combat capability, we need not only excellent weapons systems, but also the right kinds of working and living places to get and keep the best people and get them to give us their best efforts.

We looked at how other public sector organizations and the private sector invest in their facilities. Public facilities were thought to be in such terrible shape that the Congress established an independent commission in 1984 to study the situation. In February 1988 the National Council on Public Works Improvement in its report to President Reagan and this Congress stated that the quality of America's infrastructure is barely adequate to fulfill current requirements.

The council, after concluding public facilities were decaying, recommended doubling the investment rate which at that point in time was about 4½ percent of their plant value.

I have here a chart that shows what we look at in terms of facility investments. It is not just appropriations. We decided to see how the Department's investment in facilities compared to both the public and the private sector. We included all our funding sources. That means the congressional appropriations, non-appropriated funds, private sector investments in defense facilities, and contributions by foreign governments and the NATO infrastructure program.

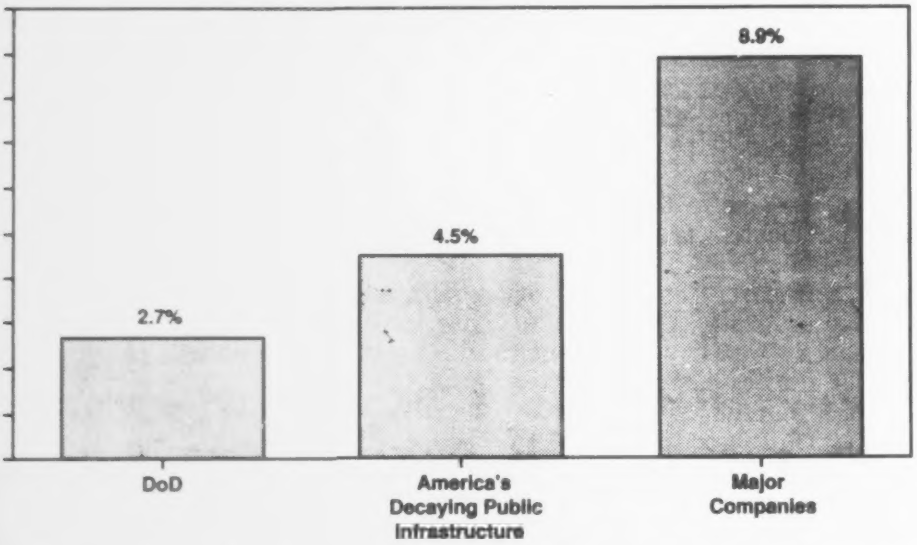
TREND IN DoD FACILITIES INVESTMENT
$ BILLION (CONSTANT 1990)



The bottom two lines, the blue and the yellow, basically come from appropriations. The top line, the green sector, is from non-appropriated funds, host nation support.

We also reviewed how the private sector invests in their facilities, and we confirmed that major companies such as Marriott and IBM invest in facilities to get and keep the best people and to get them to do their best work. These companies recognize that excellent facilities contribute significantly to attaining and keeping their competitive advantage. So, it came as no little surprise that we found private companies replenish their facilities at a rate about three to four times higher than the Department of Defense.

The next chart will show how we compare with regard to investing on an annual basis in our facilities as a percent of plant replacement value.



DoD FACILITIES INVESTMENT COMPARED TO OTHERS

We are the red column on the left. We are investing from all sources, appropriated funds and non-appropriated funds, approximately 2.7 percent of plant replacement value. That is over a 30-year replacement cycle. Compared to the public infrastructure which the Public Works report indicated was in very bad shape, they are almost investing at a rate twice ours.

Senator DIXON. Is that like roads and bridges?

Mr. MEEHAN. Yes, sir. Water, sewage treatment plants, airports, and so on. They are investing at a rate twice our rate, and in the private sector between three and four times our rate of investment. We are not just counting appropriations, we are counting all sources.

We have to do the same for our military people that the major companies do. Many of our unified and specified commanders have stated they agree that we must provide a top quality working and living environment so we can get and keep the very best people. They recognize that excellent facilities produce increased combat capability, and I believe some, in the past month or two, have been before your committee and have testified to that effect.

Defense facilities include about 435,000 buildings as well as countless runways, streets and so on with replacement value estimated to be about $580 billion at the end of fiscal year 1990. Many of our facilities are in very poor shape. The military departments classify one out of every five buildings as temporary and about 30 percent as substandard.

There are numerous examples of how new or improved facilities pay back the cost of the investment. Proper facilities will give people added pride and professionalism, and we will get better mission capability through increased efficiency and effectiveness. If they feel good about themselves, they are going to feel good about their jobs, and they will do it terrifically.

But we do not have enough of the right kinds of facilities. Some examples: We have at least 50,000 soldiers who must routinely maintain their equipment in the mud. I do not think they have to practice being miserable.

There are places where supplies must be manhandled in 60-year-old warehouses that date back to World War I. They are not conducive to modern materials handling equipment, and are very inefficient.

We have a million office workers who are not fully productive because they have to use overcrowded, inefficient areas. We are just flat out losing a lot of productivity, and it is not cost-effective at all.

Eliminating obsolete facilities can save money. Worn out buildings can have considerable costs in terms of high maintenance, repair, and utility bills. But they pale in comparison to the lost efficiency and effectiveness of the people who work in them.

So, we must give them the facilities they need to do their jobs right. With good facilities our people will want to do their best work, and the investment will begin to pay back immediately.

One way we can meet more of our facility needs faster is to get the private sector to invest more in military facilities. You have given us authority to pursue certain private sector initiatives and while we have made some progress, we can do more and we can do better. Cuts in our budget make it even more pressing that we expand private sector investments on military bases.

Just like other American communities, our military installations offer lots of opportunities for good business ventures. Private enterprise can provide needed services to our people while offering a good rate of return to the investor. We have the customers and we have the locations to make many such ventures successful.

Private developers are looking for business opportunities. Each service is actively trying to get more from the private sector since appropriations will never be enough to get the job done, and to date we have benefitted from thousands of leased family housing units, about $1 billion worth in energy plants, and dozens of fast food restaurants.

We can meet more of our facility needs and improve the delivery of modern facilities to the users if you will change certain laws covering military construction. Accordingly, our request contains proposals that would help the Department significantly enhance its management of the military construction program.

For example, housing legislation for the so-called section 801 housing, which gets involved in leasing family housing, expires this September. We propose extending the authority 2 years and adding another 3,500 units to the current ceiling.

Right now we have about 5,300 units under contract, 4,500 in procurement, and 6,200 remaining units for which solicitations are actively being pursued. If we do not get that legislation extended, we are going to lose many of the projects that would have been under contract September 30. This program is sure to get better as contractors and the financial sector become more comfortable with the agreements.

Also, we have proposed extending the authority you have given us to test long-term contracts with private sector firms for needed services, many of which include construction and operation of certain types of facilities. This authority also expires this September and I believe it should be extended until fiscal year 1991.

One of the projects resulting from this particular legislation is the child care center that is being built at the Pentagon. We requested contract proposals last August and expect operation to begin this fall.

We have another child care center under contract at the defense depot in Tracy, CA. We can replicate these efforts in other places where there is a need. While we have not done many public-private ventures and there is some concern about using commercial services, we are going to continue to try to do more.

In the turnkey contract area, we propose two important changes to the authority provided in fiscal year 1986. One would extend the authority through 1991. The other would make the Secretaries of the military departments and the heads of the Defense Agencies responsible for approving use of turnkey contracting procedures.

The law now requires the Secretary of Defense to personally approve the use of turnkey contracting. This authority should be vested in the service Secretaries and the agency heads who are responsible for establishing their facility requirements and budgeting for construction funding and who will be the ultimate users of the completed facility.

In the program execution area, we are asking for two revisions to existing legislation that we need in order to keep pace with inflation. First, we are seeking to have the threshold for minor construction projects raised from the $1 million amount enacted in 1982 to $1.5 million.

Projects less than $1.5 million account for about one-third of the total projects, but only 6 percent of the total construction dollars. Congress will continue to have oversight of all minor construction projects through the services' reports required by public law.

Another proposal tied to inflation would increase the cost ceiling for renting family housing in the United States. Currently the limit is $10,000 per year for each unit. We are asking for that limit to be raised to $12,000. Also, we are seeking to adjust the current ceiling for leased family housing in foreign areas to $20,000 per year for each unit to reflect inflation as well as currency fluctuations by country.

These and other legislative proposals make good business sense, and we would like you to help us try to do more with less.

In summary, there are two important actions that you can take that will help us get the most from the military construction program. First, you can approve the budgets as submitted for both fiscal years 1990 and 1991, particularly for fiscal year 1991 since that would help us lock in on budget levels for the outyears. Second, you can approve the legislative changes we have proposed. This will help us improve management and acquire additional modern facilities.

We need your support. The payback in facilities will be in people, their attitude, their productivity, and their pride. I and my colleagues look forward to working with you because only together can we provide the facilities necessary to support our Nation's defense. Thank you, Mr. Chairman.

[The prepared statement of Mr. Meehan follows:]

STATEMENT OF
MR. PATRICK J. MEEHAN, JR.
OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
(PRODUCTION AND LOGISTICS)

Mr. Chairman and members of the Committee.

INTRODUCTION

It is a pleasure for me to be here today to present the Department of Defense military construction budget for fiscal years 1990 and 1991, and to tell you about our need to invest in defense facilities. The military construction request I will discuss today is the result of the budget agreement between President Bush and Congressional leadership.

FACILITY BUDGETS

The military construction budget is based on an assessment of the perceived threat to our national security, and on a determination of the new facilities required to deploy and maintain defense systems, train our forces, and take care of our people and their dependents. Added to these requirements are projects needed to protect our existing plant account and keep it operating for its intended purposes.

The request for fiscal year 1990 appropriations totals $8.1 billion. In real terms, it is 13 percent less than military construction appropriations for fiscal year 1989. This negative growth is the result of a constrained defense budget, as well as competing high priority new weapon systems and "must pay" expenses.

Our request includes about:

- 35 percent for construction to support new weapon systems;

- 25 percent for replacement or modernization of those facilities that support existing missions or weapon systems; and,
- 40 percent for family housing.

The fiscal year 1991 military construction budget totals $9.3 billion. Although in real terms it is still less than fiscal year 1989, it would help us recover from the fiscal year 1990 reductions by restoring some of our construction base.

FACILITY INVESTMENT

Facility investment is vital to the success of national security. In order to achieve maximum combat capability, we need not only excellent weapon systems, but also the right kinds of working and living places to get and keep the best people, and get them to give us their best efforts. Building new facilities and revitalizing our existing ones will help us support the people who operate and maintain those weapon systems.

We don't propose investing in military facilities just so we have a lot of modern, good looking bases. An investment in facilities is an investment in people; an investment that will be repaid in the form of improved pride, performance, and combat readiness.

DOD COMPARED TO OTHER PUBLIC AND CORPORATE FACILITIES INVESTMENT

We looked at how other public sector organizations, that is America's state and local governments, and the private sector invest in their facilities. Public facilities were thought to be in such terrible shape that the Congress established an independent commission in 1984 to study the situation. In February 1988, the National Council on Public Works Improvement reported to President Reagan and the Congress on the state of this country's infrastructure, concentrating on waste handling, transportation and water supply systems. After two years of study, the Council "found convincing evidence that the quality of America's infrastructure is barely adequate to fulfill current requirements." The Council, after concluding public facilities were decaying, recommended doubling the investment rate, which is already roughly 4.5 percent of the value of the public plant account.

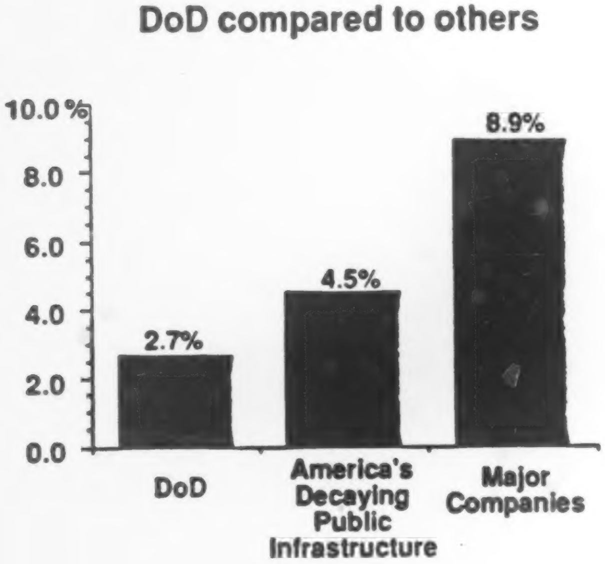
We decided to see how the Department's investment in facilities compared to public sector investment. We included all our funding sources; Congressional appropriations, non-appropriated monies, private sector investments in defense facilities, and contributions by foreign governments and the NATO Infrastructure program. We found public sector facilities are being replenished at a rate almost twice ours.

We also reviewed how the private sector invests in their facilities. We confirmed that major companies, such as Marriott, IBM, 3M and Mobil, invest in facilities to get and keep the best people, and to get them to do their best work. These companies recognize that excellent facilities contribute significantly to attaining and keeping their competitive advantage. So it came as no little surprise that we found private companies replenish their facilities at a rate almost 4 times higher than the Department of Defense.

We want the same for our military. We must invest in facilities to support our military people. Many of our unified and specified commanders have stated they agree that we must provide a top quality working and living environment so we can get and keep the very best people; they recognize that excellent facilities produce increased combat capability.

Defense facilities include about 435,000 buildings, as well as countless runways, streets, and training ranges, with a replacement value estimated to be $580 billion by the end of fiscal year 1990. Many of our facilities are in poor shape -- the Military Departments classify one out of every five buildings as "temporary" and about 30 percent as substandard. And many are old -- about 60 percent of our facilities are over 30 years old; the average age being 35. The facility business in DoD is indeed big business.

For fiscal year 1990, the Department of Defense proposes investing in facilities at a rate that is roughly 2.7 percent of our plant replacement value (2.3 percent from appropriations and .4 percent from other sources), vice 4.5 percent for the rest of the public sector and 8.9 percent for private corporations. The rate of investment compared to DoD is depicted by the following chart.



PAYBACK FROM INVESTMENT

A modern maintenance shop will reduce the "downtime" for a tank or an airplane, and keep the weapon operating and available for training or deployment at a fraction of the cost of buying additional weapons. In addition, a weapon maintained in a modern maintenance shop will outperform and outlast a weapon maintained in the mud.

The U.S. Army in Europe has shown that the primary return from upgrading training areas is higher weapon qualification scores. At one new range, our tank gunners increased the number of first round hits by 16 percent and reduced the time it takes to open fire on a new target by 30 percent. This is a tangible improvement to defense capability.

There are numerous examples of how new or improved facilities "payback" the cost of the investment. An investment in facilities is an investment in people. Proper facilities will give people added pride and professionalism, and we will get better mission capability through increased efficiency and effectiveness.

But, we don't have enough or the right kinds of facilities.

- We have at least 50,000 soldiers who must routinely maintain their equipment in the mud.
- There are places where supplies must be handled in 60 year-old warehouses, which cannot be equipped with the latest in material handling equipment.
- We have a million office workers who are not fully productive because they have to use over-crowded, inefficient areas.
- Many of our military trainees learn in ramshackle buildings.

Eliminating obsolete facilities can save money. Worn out buildings can have considerable costs in terms of high maintenance, repair and utility bills. But they pale in comparison to the lost efficiency and effectiveness of the people who work in them. Our military people are important to the defense of our nation, and we want them to believe it too. So we must give them the facilities they need to do their jobs right. With good facilities, our people will want to do their best job and the investment will begin to payback immediately.

PRIVATE SECTOR INVESTMENT IN DEFENSE FACILITIES

One way we can meet more of our facility needs faster is to get the private sector to invest more in military facilities. You've given us authority to pursue private sector initiatives, and, while we have made some progress, we can do more and better. Cuts in our budget make it even more pressing that we expand private sector investments on military bases.

Just like other American communities, our military installations offer lots of opportunities for good business ventures. Private enterprise can provide needed services to our people while offering a good rate of return to the investor. We have the customers and the locations to make many such ventures successful.

Private developers are looking for business opportunities. Each Service is actively trying to get more from the private sector, since appropriations will never be enough to get the job done. To date, we have benefited from thousands of leased family housing units, about a billion dollars in energy plants, and dozens of fast food restaurants.

LEGISLATIVE PROPOSALS

We can meet more of our facility needs and improve the delivery of modern facilities to the users, if you will change certain laws covering military construction. Accordingly, our request contains proposals that would help the Department significantly enhance its management of the military construction program. For example;

In housing, legislation for the so-called "801" build to lease housing program expires in September. We propose extending the authority two years and adding another 3,500 units to the current ceiling. We now have about 5,300 units under contract, 4,500 in procurement, and 6,200 remaining units for which solicitations are being prepared. We'll lose many of these authorized units if the program isn't extended, because we are proceeding carefully and many of the projects won't be under contract by September 30. This program is sure to get better as contractors and the financial sector become more comfortable with the agreements.

Also, we have proposed extending the authority you have given us to test long-term contracts with private sector firms for needed services, many of which include construction and operation of certain types of facilities. The authority expires this September; it should be extended to the end of fiscal year 1991.

One of the projects resulting from this legislation is the child care center being built at the Pentagon. We requested contract proposals last August and expect operation to begin this fall. We have another child care center under contract at the Defense Depot in Tracy, California.

We can replicate these efforts in other places where there is a need. While we haven't done many public-private ventures and there is some concern about using commercial services, we are going to continue to try to do more.

For better management of the Pentagon, we propose that the operation and control of the Pentagon reservation be transferred from the General Services Administration to the Secretary of Defense. This transfer, which is supported by GSA, will eliminate a layer of administration and make the Department responsible for the much needed renovations to the Pentagon.

In the turn-key contract area, we propose two important changes to the authority provided in fiscal year 1986. One would extend the authority through 1991; it now will expire on October 1. The other would make the Secretaries of the Military Departments and the Heads of the Defense Agencies responsible for approving use of turn-key contracting procedures. The law now requires the Secretary of Defense to approve the use of turn-key contracting. This authority should be vested in the Service Secretaries and Agency Heads who are responsible for establishing their facility requirements and budgeting for construction funding, and who will be the ultimate user of the completed facility.

We have tried the turn-key approach on four projects, with another nine scheduled for completion this year, and found we can expect:

- o overall design and construction time to be reduced;
- o the use of industry standard designs to be greater; and
- o since one contractor is responsible for design and construction, design deficiencies to be fewer and cost growth after award to be less

The success that we have seen so far warrants the extension of this authority for at least one additional year, and the approval to use turn-key contracts being assigned to the Service Secretaries and Agency Heads.

In the program execution area, we are asking for two revisions to existing legislation that we need to keep pace with inflation. First, we are seeking to have the threshold for minor construction projects raised from the $1 million amount enacted in 1982 to $1.5 million. Additionally, this would provide the Services with the flexibility to act on more projects -- those in the $1 million to $1.5 million range. Projects less than $1.5 million account for about one-third of the total projects, but only 6 percent of total construction dollars. In fiscal year 1990, there are 182 projects for less than $1 million and 86 projects between a million and a million and a half dollars. Congress will continue to have oversight of all minor construction projects through the Services' reports required by public law.

Another proposal tied to inflation would increase the cost ceiling for renting family housing in the United States. Currently, the limit is $10,000 per year for each unit. We are asking for that limit to be raised to $12,000. Also, we are seeking to adjust the current ceiling for leased family housing in foreign areas, $20,000 per year for each unit, to reflect inflation and currency fluctuations by country.

These and our other legislative proposals make good business sense, and we'd like you to help us try to do more with less.

SUMMARY

In summary, there are two actions that you can take that will help us get the most from the military construction program.

First, you can approve the budgets as submitted for both fiscal years 1990 and 1991. Secretary Cheney recently told a Congressional committee that "approval of biennial budgets could provide the resource stability necessary for economical program execution." Authorization of the budget as submitted, particularly for fiscal year 1991, will help us lock in on budget levels for the outyears.

Second, you can approve the legislative changes we have proposed. This will help us improve management and acquire additional modern facilities.

We solicit your support. The payback in facilities investment will be in people — their attitude, their productivity and their pride. I look forward to working with you because only together can we provide the facilities necessary to support our nation's defense.

Also, we have proposed legislation to make it optional for the government to void a contract for rental guarantee family housing if the contractor does not perform acceptable maintenance. Currently, voiding the contract under such circumstances is mandatory. This proposal also would permit the government to require rent collection be done by an agreement separate from operation and maintenance, and would allow the government to pay for utilities and services for rental guarantee housing located on federal land.

But there are three obstacles to our getting more privately built and operated child care centers.

1. The cap on appropriated fund support of morale, welfare and recreation activities, which we are working with Congressional oversight committees to get removed.

2. We've never done it before, and there is concern about using commercial services — licensed and regulated by state and local governments rather than uniform DoD control. But we are going to try.

3. Our authority is expiring. We need your help.

Thank you Mr. Chairman.

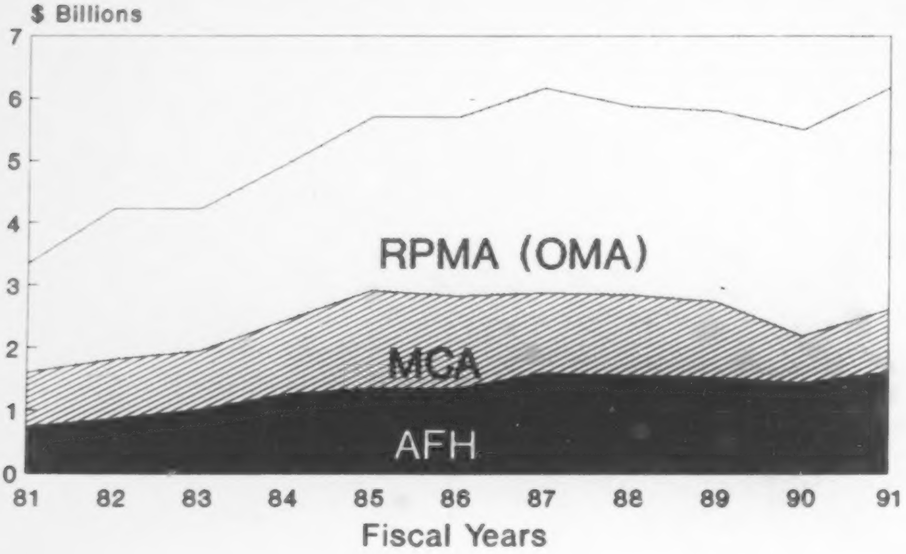
Senator DIXON. Thank you, Mr. Meehan. General Offringa.

STATEMENT OF MAJ. GEN. PETER J. OFFRINGA, U.S. ARMY, ASSISTANT CHIEF OF ENGINEERS, DEPARTMENT OF THE ARMY

General OFFRINGA. Thank you, Mr. Chairman. With your permission, I would like to summarize my testimony using three charts.

CHART 1

Total Facilities Trend
MCA, AFH, RPMA



KEY:

MCA - Military Construction, Army

AFH - Army Family Housing

RPMA - Real Property Maintenance Activities

CHART 2

OMA Backlog of M&R (BMAR) AFH Deferred M&R (DMAR)

$ Billions (Constant FY90 Dollars/1.89 DM/$)

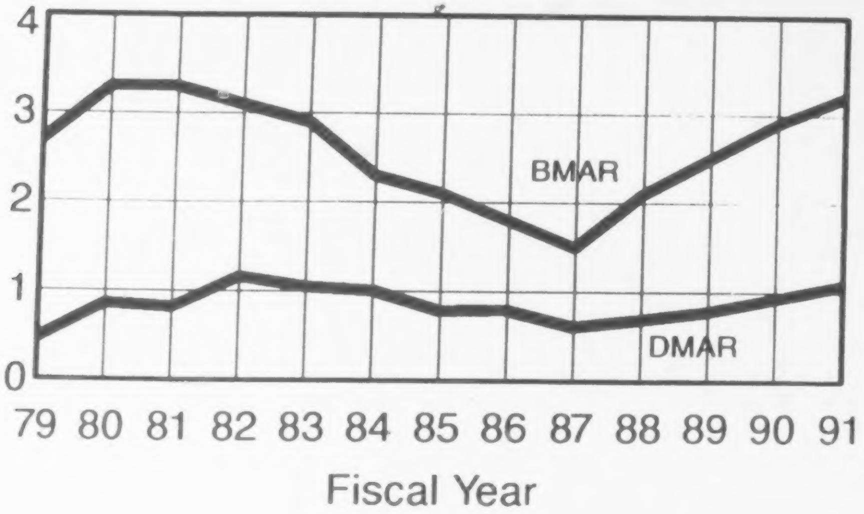


CHART 3

Army Facilities Strategy

Proposed

- Maximize the use of our best existing facilities
- Meet Regulatory and Environmental Requirements
- Commit a prudent level of resources to:
  - Maintain what we own
  - Revitalize facilities
  - Contain Maintenance and Repair Backlogs
- Meet other Army Initiatives

During the 1980s with the support of this committee, facilities funding rose sharply from the Vietnam era when most of our resources were going to support combat forces and equipment. I refer

you to chart 1 in the package before you for a graphic picture of our funding history. That chart shows the Army family housing on the bottom, or AFH, the Military Construction Army as MCA, in the middle, and our repair and maintenance account is shown on the top.

As you can see from the chart, our total facilities funding was $3.3 billion in 1981. From there it almost doubled to $6.2 billion in 1987, our peak year. During that time facilities deficiencies, both in the continential United States and overseas, were being eliminated.

The backlog of maintenance in both facilities and family housing were reduced to congressional containment levels. The Deficit Reduction Act in 1986 and the sequestration capped the growth of our investment funding. To sustain our facilities base, we're required to trade off investment in military construction and family housing for operations and maintenance, culminating in an MCA program of only $750 million in 1990.

Yet, in spite of our best efforts, our repair and maintenance funding failed to attain the level needed to fund our annual recurring requirements and as a result of that, as you can see in chart 2, our maintenance backlogs for both facilities and housing began to rise.

As a result of the decreased funding levels in recent years, including our budget years of 1990 and 1991, Backlogs of Maintenance and Repair for our facilities, which is the top line marked BMAR on chart 2 and deferred maintenance and repair, the lower line marked DMAR on the same chart, have risen precipitously from their low in 1987 when we reached the congressional containment level to a level approaching our highest backlogs during the last decade.

You go to chart 3, that shows the Army's strategy to deal with this problem. This is to be employed in building our program in the future in fiscal year 1992 and beyond. Our proposed strategy places increased emphasis on the best use of existing facilities and elimination of those that we do not need, and emphasizes a revitalization baseline which will be of equal importance with other Army initiatives.

Our priority goals during that time are to contain and reduce, if possible, our maintenance and repair backlogs and revitalize our Army facilities while supporting new Army initiatives.

We will execute this strategy through a number of means, first by energizing our Army communities of excellence program, a no-cost program, but one that applies the principles of excellence to both our services and our facilities to strive as much as possible to fully fund our cost of doing business while working to decrease that cost through smart management of our facilities, to place priority on projects that have a high potential to reduce our backlogs of both maintenance and repair and deferred maintenance and repair, and to strive to attain as much as possible a baseline 2 percent revitalization.

We maximize innovation through leasing third party initiatives, host nation support, and innovative real estate initiatives. So, our 1990–1991 request represents the best possible use of the limited resources that we have available to us within the Army. And we will continue to strive hard to execute our strategy through the program years of 1992 and 1996. Thank you very much, sir.

[The prepared statement of Major General Offringa follows:]

STATEMENT BY

MAJOR GENERAL PETER J. OFFRINGA

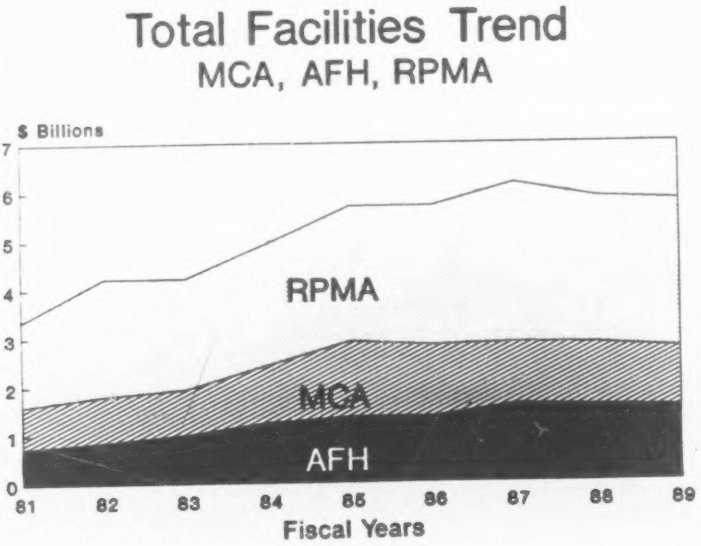
ASSISTANT CHIEF OF ENGINEERS

DEPARTMENT OF THE ARMY

Mr. Chairman and members of the Subcommittee. I am Major General Peter J. Offringa, Assistant Chief of Engineers, Office of the Chief of Engineers, Department of the Army. I am pleased to have an opportunity to present to your committee the Army's Facilities program, past, present, and future.

SUCCESS IN THE 1980s

During the 1980's, the Army and the Congress confronted our critical facilities needs. We began this decade with a large construction backlog and maintenance and repair deficiencies. These shortfalls were primarily due to low facilities priorities during and after the Vietnam War. Within the Army, sponsorship of our three major facilities programs - Military Construction, Army (MCA), Army Family Housing (AFH), and Real Property Maintenance Activities (RPMA) - was fragmented. By 1984, we had integrated all of these programs under the Office of the Chief of Engineers and we could finally provide the full range of support for the Army's facilities inventory. In fiscal year 1981, the Active Army's facilities appropriations totaled $3.3 billion, which included Military Construction (MCA), Family Housing (AFH), and Operation and Maintenance (OMA) of major portion of our facilities. By contrast, in 1987, this expenditure on facilities had almost doubled to $6.2 billion. Facilities deficiencies in CONUS and overseas were being eliminated. Backlogs of Maintenance and Repair were brought to a congressionally determined containment level. With this support, Army facilities were attaining a condition of excellence, worldwide.



FACILITIES ACHIEVEMENTS

	Totals FY 1981 - 1989
Construction:	
Total MCA	$ 10.5 billion
Highlights:	
Barracks	98,700 spaces
Maintenance Facilities	257 shops
Hardstands	81 hardstands
Child Development Centers	88 centers
Physical Fitness Centers	65 centers
Chapels	12 chapels
Ranges	105 ranges
Instructional Facilities	43 facilities
Total AFH Construction	$ 1.8 billion
Highlights:	
Dwelling Units	12,400 new units built
Improvements to Quarters	58,500 units improved
Maintenance and Repair:	
Total RPMA	$ 24.6 billion
Highlights:	
Major Maintenance and Repair projects	$ 4.3 billion
Minor Improvements Projects	$ 1.6 billion
Total AFH Operations	$ 9.4 billion
Highlights:	
Leases	28,300 leases
Major Maintenance and Repair	$ 1.8 billion

IMPACT OF THE FEDERAL DEFICIT

Following the Deficit Reduction Act of 1986, and the sequestration order, funding rose slightly until we reached our peak level in 1987 with combined appropriations totaling $6.2 billion. After that, efforts to reduce the size of the federal budget capped the growth of investment funding and reduced our expenditures for maintenance, repair, and operations. As a result, the Army adjusted to a facilities prioritization strategy which protected immediate operational needs required to fund operations, maintenance, repair, and environmental requirements and as a last choice, applied available funding to investments in new construction of military facilities and family housing. This strategy resulted in movement of funds from the MCA program to the RPMA program in order to minimize an increase in the backlog of maintenance and repair.

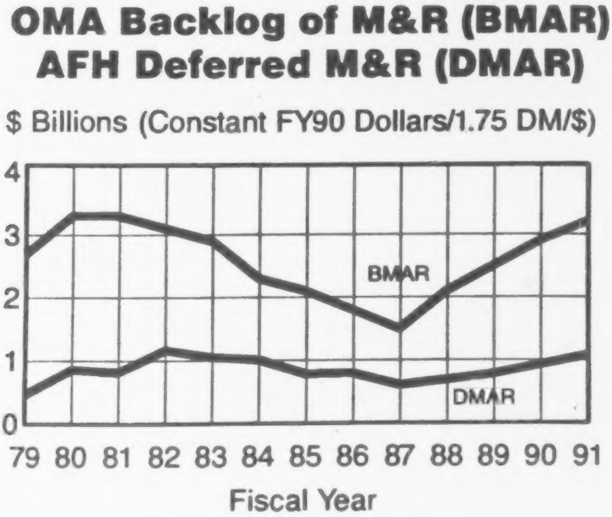
CURRENT ARMY FACILITIES STRATEGY
FY 90-91

Based on Army priorities, we reduced the Army's fiscal years 1990 and 1991 budget requests in accordance with the following strategy:

- Maximize use of existing facilities
- Maintain what we own
- Meet regulatory and environmental requirements
- Contain maintenance and repair backlogs
- Revitalize outdated facilities
- Last Choice: Provide new facilities

This strategy has succeeded in maintaining minimal growth in the RPMA account and the Family Housing Operations account. However, this modest growth is not enough to meet our Annual Recurring Requirements (ARR) in RPMA or our Cost of Ownership (COO) in Family Housing. Outstanding family housing deficits are being reduced through a combination of leasing and new construction. Therefore, current funds are being used to provide critical improvements to existing quarters and to expanding overseas leasing rather than building new units. The strategy has resulted in reduced levels of MCA requests and inadequate funding of other appropriations.

Quality of Life facilities buyouts have been stretched out;
Revitalization of facilities has been reduced drastically to 1% per year;
Annual cost of facilities (ARR and COO) are not fully funded;
Maintenance and Repair backlogs (BMAR and DMAR) cannot be contained;
Family housing construction requirements are extended; and,
Whole House renewals are currently on a 250 year cycle.



ALTERNATIVES AND INNOVATION

The current level of Military Construction funding for facilities has challenged the Army to seek new and innovative ways of providing facilities for the Army. Among these are:

Leasing - Government Rental Housing Program (GRHP);
Build to Lease (801)
Third party initiatives - Long Term Facilities Contracts (Sect 2809);
Leasing Authority (Sect 2667);
Shared Energy Production;
Sewage Treatment Plants;
Increased Host Nation Support - increasing programs in Japan and Korea;
Alternative procurement practices - maximum capability with turn-key selection;
Innovative Real Estate Initiatives - Sell and Replace;
Engineer Proving Ground initiative;
Eliminate WWII Temporary Facilities -
Energy Conservation Programs - District Heat; Gas Contracts;

The underpinning for all of these initiatives is to fully utilize existing Army facilities and maintain only those we use. Every productivity and efficiency improvement program will have to be harnessed for maximum benefit.

ARMY COMMUNITIES OF EXCELLENCE

This year the Army instituted a program which is not a direct part of the FY90/91 budget but will affect our personnel worldwide. This program is the "Army Communities of Excellence". The Secretary of the Army and Chief of Staff have recognized that Army communities are a natural resource over which we must exercise husbandry to protect them from deterioration and ensure our future effectiveness. We believe that community excellence engenders pride, and pride is the fuel of human accomplishment. This in turn will be a combat multiplier. Army Communities of Excellence is not a new program that will require specific resources but is an umbrella program that we believe will bring out the best in our people and improve our working and living environment.

FUTURE OUTLOOK

The future strategy to protect the Army's existing inventory, and provide excellent facilities for the Army Family, will emphasize revitalization. Successful revitalization requires the sustained replacement or renovation of the Army's real property for the purpose of modernizing facilities to current standards for accomplishing the Army's mission. Revitalization will cross appropriation lines, requiring that both investment and operations accounts, such as MCA and RPMA, be adequately funded. Underfunding one or the other would neutralize a revitalization effort because MCA is necessary to replace facilities and O&M is necessary for major repairs.

Our facilities strategy will be modified accordingly:

- Maximize the use of our best existing facilities
- Meet Regulatory and Environmental Requirements
- Commit a prudent level of resources to:
    - Maintain what we own
    - Revitalize facilities
    - Contain Maintenance and Repair Backlogs
- Meet Other Army Initiatives

We will execute the strategy by:

- Energizing Army Communities of Excellence (ACOE);
- Fully fund Annual Recurring Requirements (ARR) and Cost of Ownership (COO)
- Reduce annual operations requirements (ARR & COO) by 2% per year
- Give priority to projects with high potential to reduce BMAR/DMAR
- Strive to attain 2% revitalization

AMENDED FISCAL YEAR 1990 AND 1991 MILCON BUDGET

At this time I would like to review our amended budget request in detail. I believe this program will best align our most pressing construction requirements to the limited resources available under the reductions in the Defense Department. The program presented requests authorization of appropriation for Military Construction, Army (MCA) of $737,100,000 in fiscal year 1990 and $995,300,000 in fiscal year 1991, and for Family Housing, Army (AFH) we request authorization of $1,438,200,000 in fiscal year 1990 and $1,617,250,000 in fiscal year 1991.

This budget represents a reduction from our prior authorization request in both MCA and AFH, $154,740,000 and $30,800,000, respectively, in fiscal year 1990 and $187,300,000 and $37,300,000 in fiscal year 1991 due to the fiscal constraints that were jointly agreed to by the Administration and the Congress. The amended biennial budget represents the Army's efforts to retain a logical, executable program; maintain the readiness of the existing force; ensure that the existing force is sustainable; and continue to provide facilities modernization, investment and quality of life resources. We also balanced the request between construction in the United States and overseas in the amendment to the fiscal years 1990 and 1991 programs. The family housing portion of this amended budget has been reduced only for the changes in the estimates of future foreign currency exchange rates.

The major change to the budget was to delay our lower priority projects from the fiscal year 1990 program to fiscal year 1991, while modifying that years' program by deferring lower priority projects to the outyears.

Now, with your permission I will present the details of the amendment to the fiscal years 1990 and 1991 program, highlight selected initiatives that were modified by the amendment and show the balance that this amendment achieves in support for the total Army. First, let us look at the three primary perspectives of our soldiers in the MCA program; working, training and living conditions.

WORKING AND TRAINING CONDITIONS

The amended budget did not change the emphasis on working and training conditions although the percentage of the program devoted to these areas changed slightly. In fiscal year 1990 the percent declined two percent to forty-nine percent while in fiscal year 1991 we increased the percentage of the program dedicated to working and living conditions by two percent to a new total of fifty-five percent. A total of $366,110,000 is now included in the fiscal year 1990 request and $549,210,000 in 1991 to ensure this support will be sustained.

The new fiscal years 1990 and 1991 requests include $90,100,000 and $75,920,000 for Operational projects, $67,320,000 and $90,980,000 for Training ranges and facilities, $168,800,000 and $350,780,000 for Maintenance and Production, $43,240,000 and $31,530,000 for Research, Development, Test and Evaluation.

LIVING CONDITIONS

The operational necessity of sustaining a ready Army and high priority defense initiatives have forced us to slow down on our quality of life programs. Thus, the amended budget has reduced troop housing and community support facilities by $36,410,000 in fiscal year 1990 and $61,330,000 in fiscal year 1991 for a new total of $101,280,000 or fourteen percent in 1990 and $150,710,000 or fifteen percent in 1991.

In the Unaccompanied Personnel Housing category, the fiscal year 1990 request has been reduced twenty-two percent to $63,200,000, while in fiscal year 1991, we have reduced the request by twenty-seven percent for a new total of $85,250,000.

Although this area has been reduced approximately thirty percent each year, we believe that we are continuing to improve the quality of life of many of our soldiers and their families. With your approval of the program now before you, we will continue these essential programs. Our request includes a mix of the thirteen most critically needed community facility projects totaling $48,080,000 in fiscal year 1990 and an additional twenty projects for $65,460,000 in fiscal year 1991 as indicated in the following display:

COMMUNITY FACILITY PROJECTS

	FY 1990	FY 1991
Chapel	1	1
Chapel Center & Child Development Center	1	1
Child Development/Religious Ed Center	2	0
Child Development Center/Addition	6	6
Education Center/Addition	0	2
Physical Fitness Training Center	1	4
Recreation Center	1	0
Snack Bar Upgrade/Cadet Club	0	1
Post Office	1	0
Community Support Facility	0	1
Multi-Purpose Auditorium Facility	0	1
Fire Station	0	3

GEOGRAPHICAL DISTRIBUTION HIGHLIGHTS

UNITED STATES

The amended budget request inside the United States provides $465,780,000 or 63 percent of the fiscal year 1990 program, and $613,870,000 or 62 percent of the fiscal year 1991 program. This is five percent more than originally planned for CONUS in fiscal year 1990 and three percent more in fiscal year 1991.

EUROPE

Our construction program for the United States Army, Europe (USAREUR) has been decreased 41 percent, $84,460,000, in fiscal year 1990 for a new total of $121,000,000. The fiscal year 1991 program was reduced twenty-nine percent, $68,260,000, for a new total of $167,360,000. In relation to total requirements of USAREUR, this is an extremely austere program especially in light of the deplorable conditions many of our soldiers work under in Europe. Your full support of this reduced program will provide the absolute minimum level needed to support the military mission of our deployed soldiers and continue to sustain the fielding of weapon systems vital to U.S. interest in the peace in this theater.

The emphasis of this amended program is on facilities to support the military mission and operational and training functions with 18 of the 21 projects in fiscal year 1990 and 25 of 34 projects in fiscal year 1991 dedicated to this end. The program also supports some quality of life projects for our soldiers in Europe.

WESTERN PACIFIC

The Army continues to support its commitment to the Eighth, U.S. Army (EUSA), Korea, with a $47,750,000 fiscal year 1990 request, which is a 6 percent reduction from the original request. In fiscal year 1991 we are now requesting $71,540,000, a 20 percent reduction, in support of EUSA and $14,800,000 for the U.S. Army, Japan. This program has received minimum reductions since the majority of the program in both 1990 and 1991 is allocated to replacing the deplorable housing facilities used by the 2d Infantry Division and support organizations. In fiscal year 1990 fifty-eight percent of the funds are for housing projects, down two percent, while in fiscal year 1991 over seventy-three percent, up one percent, will be dedicated to this end.

CENTRAL AMERICA

We have made only minor changes to the construction program in this region. In fiscal year 1990, we are requesting Panama's top priority project totalling $7,200,000. The aircraft apron extension will ensure safe operations of the additional, larger helicopters being stationed in Panama and cannot be delayed due to safety considerations. A project in Honduras for replacing wooden "cat hut" tents with relocatable billets, which will provide improved temporary living conditions to personnel assigned to this remote site, was deferred to the fiscal year 1991 program. This will be the last of the barracks upgrade program in Honduras.

SPECIAL PROGRAM HIGHLIGHTS

USAREUR INITIATIVES

Although we have reduced the program in the European Theatre we still have several important initiatives that depend on facilities included in this amended request. These projects will sustain the momentum of our previous programs and provide the required military support for our soldiers and equipment.

The relocation of ground combat units to Vilseck and the Army Aviation Restationing initiatives are continued in the requests for both fiscal years 1990 and 1991. Projects submitted are critical for the fielding of ground combat units and AH-64 Attack Helicopter battalions and are therefore continued as originally scheduled.

Establishment of the Combat Maneuver Training Complex (CMTC) at Hohenfels, which will allow USAREUR armor and mechanized infantry battalions to train in a realistic battlefield environment, has basically been continued. However, several of the support facilities have been delayed but with your support of our revised budget we will still be able to achieve the goal of providing fully operational, realistic training to our forward deployed combat units in USAREUR.

Projects to continue construction in support of operations of the Northern Army Group at the Reichel Complex in Rheinberg have been delayed from fiscal year 1990 to 1991. The projects now included in the fiscal year 1991 request continue the program that began in fiscal year 1987 and are necessary to ensure that the program will be completed. As you know, this complex is being developed as a result of a threat analysis and is ideally located to provide logistical support and coordination in this area.

SPECIAL OPERATIONS FORCES

The Army continues on its planned expansion and enhancement of the Special Operations Forces authorized by Congress, but has modified the fiscal year 1990 request by delaying the construction of the Headquarters Building for the 1st Special Operations Command (SOCOM) to fiscal year 1991. The fiscal year 1990 budget now contains $16,850,000 while fiscal year 1991 is $25,800,000. In fiscal year 1990, we have continued to request funds for the Combat Divers Training Facility to be constructed at Fleming Key, FL, for the J.F. Kennedy Special Warfare Center at Fort Bragg, NC. The amendment changes the location of the fiscal year 1990 project for the flight simulator from Fort Rucker, AL, to Fort Campbell, KY, in order to maximize utilization of this facility at the location where most of our forces using the simulator are stationed. The remaining project in 1990 provides the additional facilities for the Special Operations Aviation units at Fort Campbell, KY. In fiscal year 1991 in addition to the SOCOM headquarters, we have continued the facilities for Special Operations Forces located at Fort Stewart, GA.

CURRENCY REVALUATION IMPACTS

The Army continues to have a concern with the value of the dollar and its impact on our construction program. The request for fiscal years 1990 and 1991 is now budgeted at 1.89 DM per dollar in accordance with the Office of Management and Budget Guidelines, and the price of overseas projects have been lowered to reflect this. The improvement of the value of the dollar, and the reduced European construction program in fiscal years 1990 and 1991 will reduce the impact on our program in future years. But there will still be a problem in the near term since rates from 1986 through 1989 were budgeted at rates varying from 2.99 to 2.06 DM per dollar. I mention this today since it may be a problem that we have to jointly consider. This is the most critical problem we have in awarding and constructing the program requested.

BUDGET REQUEST ANALYSIS

OVERVIEW
MILITARY CONSTRUCTION, ARMY

The amended fiscal year 1990 MCA budget request includes a request for new authorization of $698,100,000 along with a companion request for total obligational authority of $745,300,000. In our amended fiscal year 1991, we are requesting new authority for $956,300,000 with a companion request for total obligational authority of $995,300,000.

The difference in the Authorization and Appropriation requests in fiscal year 1990 is due to the previously authorized construction at Red River Army Depot, fiscal year 1989 advance authorization of $88,000,000, and high priority projects in Germany for which appropriation could not be provided in fiscal year 1989 due to budget constraints ($8,200,000). In fiscal year 1991, the difference between the Authorization and Appropriation is the previously authorized construction at Red River Army Depot. This is summarized on the following chart:

	FY 90 ($ 000)	FY 91 ($ 000)
Previous Authorizations:	47,200	39,000
Red River AD	(39,000)	(39,000)
Europe Projects	(8,200)	(0)
New Project Authorization:	698,100	956,300
Red River AD	39,000	39,000
Authorization of Appropriations	737,100	995,300
Appropriations Requested	745,300	995,300

The difference in the amended authorization and appropriations request, by facility category, is shown in TABLE 1:

TABLE 1

FY 90 MCA

FACILITY CATEGORY	AUTHORIZATION ($000)	APPROPRIATION ($000)
Operations and Training	154,070	157,420
Maintenance and Production	168,800	168,800
Research, Development, Test and Evaluation	43,240	43,240
Supply & Administrative	91,550	134,100
Unaccompanied Housing	53,200	53,200
Community	48,080	49,380
Utilities & Real Estate	53,740	53,740
Design/Minor	85,420	85,420
Total	698,100	745,300

SUMMARY

Mr. Chairman, in summary, the fiscal years 1990 and 1991 Military Construction Army, request for new authorization is $698,100,000 and $956,300,000, respectively. The request for authorization of appropriation is $737,100,000 and $995,300,000 in fiscal years 1990 and 1991 due to the advanced authorization for the AOD at Red River Army Depot and authorization available from previous years. With available prior year authorization, a corresponding appropriation of $745,300,000 in fiscal year 1990 and $995,300,000 in fiscal year 1991 will provide a minimum support to Army, Defense and National initiatives, our efforts to get equipment out of the mud, provide adequate housing for soldiers, eliminate obsolete and deficient work areas, meet statutory and regulatory requirements, and continue to send a message to our soldiers that their government cares. Approval of this amended request will continue the efforts of the Army and Congress, to provide modern facilities enabling us to attract and retain quality soldiers and maintain worldwide operational readiness and war fighting ability. In the Family Housing area we continue to stress the importance of this program by continuing to fund AFH at the original program level.

Sir, this concludes my statement. I would be pleased to answer any questions or arrange for answers to be inserted in the record.

Senator DIXON. Thank you very much, General. Admiral Doebler.

STATEMENT OF REAR ADM. JAMES DOEBLER, U.S. NAVY, DIRECTOR, SHORE ACTIVITIES DIVISION, CHIEF OF NAVAL OPERATIONS, DEPARTMENT OF THE NAVY

Admiral DOEBLER. Thank you. Mr. Chairman. It is a pleasure to be here today to represent the Chief of Naval Operations and review the Navy's facility-related budget. General Downs will review the Marine Corps program.

I would like to briefly address a few issues concerning facility funding trends. In fiscal years 1982–1989, the Department of Navy military construction investment levels, which averaged $1.5 billion per year, enabled us to obtain an impressive array of modern facilities supporting critical new missions such as the Trident facilities at King's Bay, Georgia; the Indian Ocean support complex at Diego Garcia; the Lamp's Mark III Helo support facilities and the FA-18 aircraft support facilities to name a few.

At the same time, we made consistent investments in construction and modernization of troop housing and messing facilities averaging $166 million per year; $618 million was concurrently invested in modernization of our Nation's public shipyards. During this period of growth, projects in the new mission category accounted for 45 to 55 percent of our total military construction obligation authority while replacement and modernization projects totalled only about 25 percent.

From a facilities maintenance perspective, operation and maintenance Navy funding levels from fiscal years 1981 to 1987 provided a 4.5 percent annual real program growth in maintenance and repair expenditures which enabled us to replace and rehabilitate many of our overaged facilities, and keep our backlog of maintenance and repair relatively contained.

Family housing funding levels kept pace with requirements, and we made a heavy investment in construction of new units in high cost areas and remote overseas locations in 1987-1989.

Our fiscal years 1990-1991 request reduces the family housing new construction component in order to provide necessary funding for maintenance and repair of the approximately 70,000 units in our current inventory.

Our fiscal years 1990-1991 military construction budget is down from previous levels. But our major new mission construction requirements are also trending downward as various major programs are being completed. The current mission portion of our military construction program has now returned to about two-thirds of our total military construction program, including a replacement and modernization component of about 35 percent. We will continue a steady investment in troop housing and quality of life facilities.

The facilities maintenance and repair budget is also down as a result of downward pressure on the Navy's top line. We will use our shore facilities life extension program and our base readiness reporting system to focus available funding on those maintenance and repair projects which have the most critical effect on base readiness.

In fiscal 1990 and the years ahead we will emphasize prudent use of public-private venture financing when appropriate and improvement of project execution methods and procedures in order to deliver timely, cost-effective facilities within available funding.

We sincerely appreciate the strong support of your committee in the past, Mr. Chairman, and we look forward to your approval of our current budget request. Thank you.

[The prepared statement of Rear Admiral Doebler follows:]

STATEMENT OF
REAR ADMIRAL J. C. DOEBLER, CEC, U. S. NAVY
DIRECTOR, SHORE ACTIVITIES DIVISION, OFFICE OF THE DEPUTY CHIEF OF NAVAL OPERATIONS, LOGISTICS

MR. CHAIRMAN, I AM REAR ADMIRAL J. C. DOEBLER, DIRECTOR, SHORE ACTIVITIES DIVISION, OFFICE OF THE DEPUTY CHIEF OF NAVAL OPERATIONS, LOGISTICS. I APPRECIATE THE OPPORTUNITY TO REPRESENT THE SECRETARY OF THE NAVY AND THE CHIEF OF NAVAL OPERATIONS IN REVIEWING THE NAVY'S FISCAL YEAR 1990/1991 BUDGET SUBMISSION AND THE FUNDING TRENDS FOR MILITARY CONSTRUCTION (MILCON), FAMILY HOUSING AND FACILITY RELATED OPERATIONS AND MAINTENANCE. BRIGADIER GENERAL M. P. DOWNS, UNITED STATES MARINE CORPS, WILL REVIEW THE MARINE CORPS PORTION OF THE REQUEST AND THE FUNDING TRENDS FOR THE MARINE CORPS.

THE FISCAL YEAR 1990 AND 1991 BUDGETS IN SUPPORT OF FACILITIES ARE EACH SMALLER THAN THE FY 1989 SUBMISSIONS. THESE REDUCTIONS SHOULD NOT BE CONSTRUED AS BEING REFLECTIVE OF A DECLINING NEED FOR QUALITY FACILITIES TO ACCOMMODATE NEW MISSIONS AND KEEP ABREAST OF OUR GROWING BACKLOG OF WORK REQUIRED TO MODERNIZE OUR SHORE ESTABLISHMENT. THEY DO, HOWEVER, REFLECT THE RESULTS OF DIFFICULT BUDGET DECISIONS. THE KEEN COMPETITION FOR THESE LIMITED FUNDS HAS HAD THE EFFECT OF PROVIDING MILITARY CONSTRUCTION AND FAMILY HOUSING REQUESTS THAT INCLUDE ONLY THE HIGHEST PRIORITY REQUIREMENTS NECESSARY TO ENSURE FLEET READINESS AND AN ADEQUATE QUALITY OF LIFE FOR OUR SAILORS AND MARINES. ANY REDUCTIONS TO THE NAVY FACILITY RELATED PROGRAMS WOULD CLEARLY HAVE AN ADVERSE EFFECT ON OUR READINESS POSTURE AND OUR ABILITY TO EFFECTIVELY USE AND PROTECT OUR EXISTING ASSETS.

FACILITY MANAGEMENT

AS THE CHIEF OF NAVAL OPERATIONS' MANAGER OF SHORE ACTIVITIES, I AM DEEPLY CONCERNED OVER OUR ABILITY TO PROVIDE ADEQUATE FACILITY SUPPORT TO THE OPERATING FORCES. BASED ON THE REALITY THAT, WITHIN EXISTING BUDGET LIMITATIONS, THE FUNDING LEVELS NECESSARY TO TOTALLY REHABILITATE OR REPLACE OUR DETERIORATING SHORE FACILITIES ARE UNREACHABLE, WE HAVE INSTITUTED MANAGEMENT PROGRAMS WHICH WILL ENHANCE OUR CAPABILITY TO PROVIDE THE REQUIRED BASE SUPPORT FOR OUR FLEET. THESE PROGRAMS ENSURE THAT (1) SCARCE FUNDS ARE USED FOR ONLY THE MOST ESSENTIAL REQUIREMENTS; (2) PRUDENT USE IS MADE OF PUBLIC/PRIVATE VENTURES TO OBTAIN FACILITIES; (3) COST EFFECTIVE PROJECT EXECUTION IS EFFECTED.

SELECTING ESSENTIAL REQUIREMENTS

WE CANNOT AFFORD TO USE OUR LIMITED MILITARY CONSTRUCTION AND MAINTENANCE AND REPAIR FUNDING ON OTHER THAN ABSOLUTELY ESSENTIAL FACILITY REQUIREMENTS. TO ENSURE THAT WE ARE DOING THIS, WE HAVE AN ACTIVE SHORE BASE READINESS REPORTING SYSTEM THAT CATEGORIZES EACH OF OUR FACILITY ASSETS IN ACCORDANCE WITH HOW WELL THE FACILITY MEETS THE MISSION REQUIREMENTS. THE FACILITIES THAT DO NOT MEET, OR ONLY MARGINALLY MEET, MISSION REQUIREMENTS RECEIVE PRIORITY CONSIDERATION FOR FUNDING. THIS IS ACCOMPLISHED THROUGH OUR SHORE FACILITIES LIFE EXTENSION PROGRAM WHICH PLACES EMPHASIS ON FACILITY TYPES CRITICAL TO MISSION CAPABILITY AND/OR QUALITY OF LIFE. WITH THIS PROGRAM, WE ARE ABLE TO PRUDENTLY USE OUR LIMITED MILCON AND MAINTENANCE AND REPAIR FUNDS FOR ONLY THOSE PROJECTS THAT ARE REQUIRED TO ELIMINATE THE LOSS OF MISSION CAPABILITY, MITIGATE ENVIRONMENTAL PROBLEMS, OR MINIMIZE THE ADVERSE EFFECT ON THE QUALITY OF LIFE OF OUR PERSONNEL.

PUBLIC/PRIVATE VENTURES

IN THE PAST FEW YEARS WE HAVE SUCCESSFULLY USED THE FINANCIAL AND MANAGERIAL RESOURCES IN THE PRIVATE SECTOR TO CONSTRUCT AND OPERATE FACILITIES THAT WOULD OTHERWISE NOT HAVE BEEN AVAILABLE. WHILE ACTIVELY RESEARCHING THE FEASIBILITY OF EXPANDING OUR PUBLIC/PRIVATE VENTURE PROGRAM TO INCLUDE ADDITIONAL FACILITY TYPES, WE HAVE FOUND THAT THIS PROGRAM IS NOT THE PANACEA FOR ALL OUR FACILITY DEFICIENCIES, AND HAS THE DRAWBACK OF COMMITTING US TO FUTURE FUNDING REQUIREMENTS. HOWEVER, WHEN PRUDENTLY USED, THIS PROGRAM PROVIDES US CERTAIN FACILITIES IN A MORE TIMELY MANNER AT A LOWER LIFE CYCLE COST. WE HAVE MADE AWARDS FOR PUBLIC/PRIVATE VENTURE CONTRACTS FOR FAMILY HOUSING UNDER THE BUILD-TO-LEASE (SECTION 801) PROGRAM AT NORFOLK, VIRGINIA; MAYPORT, FLORIDA; EARLE, NEW JERSEY; AND TWENTYNINE PALMS, CALIFORNIA; FOR AN ADMINISTRATIVE OFFICE UNDER THE 10 USC 2809 LONG TERM FACILITIES CONTRACTS AUTHORITY AT MEMPHIS, TENNESSEE; AND FOR POWER PLANTS UNDER 10 USC 2394 AT CHINA LAKE, CALIFORNIA FOR GEOTHERMAL ELECTRICITY; AND SAN DIEGO, CALIFORNIA; CHARLESTON, SOUTH CAROLINA; AND NORFOLK, VIRGINIA FOR STEAM FROM CO-GENERATION FACILITIES.

OUR AWARD OF THE CONTRACT FOR THE ADMINISTRATIVE HEADQUARTERS BUILDING IN MEMPHIS IN NOVEMBER 1988 WAS THE FIRST AWARD UNDER 10 USC 2809. IN THIS "TEST" CONTRACT, PRIVATE CAPITAL IS PROVIDING US A COST EFFECTIVE HEADQUARTERS BUILDING YEARS IN ADVANCE OF WHAT WOULD BE POSSIBLE WITH MILITARY CONSTRUCTION APPROPRIATIONS. ELECTRICITY SAVINGS TO THE NAVY FROM THE GEOTHERMAL PLANT THAT BEGAN OPERATION IN DECEMBER 1988 AT CHINA LAKE ARE EXPECTED TO BE $3 MILLION PER YEAR WITH REVENUES FROM EXCESS ELECTRICITY SALES OF ABOUT $1 MILLION EXPECTED THIS FISCAL YEAR AND INCREASING TO ABOUT $3.5 MILLION IN FISCAL YEAR 1991.

IN THE NEAR FUTURE, WE INTEND TO USE OUR FAMILY HOUSING 801 AUTHORITY BY AWARDING ADDITIONAL CONTRACTS AT STATEN ISLAND, NEW YORK; JACKSONVILLE, FLORIDA; NORTHERN VIRGINIA; SAN FRANCISCO, CALIFORNIA; POINT MUGU, CALIFORNIA; SAN DIEGO, CALIFORNIA; LONG BEACH, CALIFORNIA; AND FALLON, NEVADA; USE OUR 10 USC 2809 AUTHORITY BY AWARDING ADDITIONAL CONTRACTS WITH EMPHASIS BEING PLACED ON BACHELOR OFFICER QUARTERS; AND AWARD ADDITIONAL POWER PLANT CONTRACTS AT GREAT LAKES, ILLINOIS AND JACKSONVILLE, FLORIDA. IN ADDITION, WE EXPECT TO AWARD OUR FIRST SHARED ENERGY SAVINGS CONTRACTS THIS FISCAL YEAR AT LONG BEACH, CALIFORNIA; GREAT LAKES, ILLINOIS; AND SAN DIEGO, CALIFORNIA.

WE STRONGLY SUPPORT THE GENERAL PROVISIONS IN THE ADMINISTRATION'S PROPOSED MILITARY CONSTRUCTION AUTHORIZATION ACT, 1990 AND 1991, THAT EXPAND THE AUTHORITIES FOR FAMILY HOUSING 801 DOMESTIC BUILD-TO-LEASE PROGRAM; THE FAMILY HOUSING 802 RENTAL GUARANTEE PROGRAM; AND THE LONG TERM FACILITIES CONTRACTS PROGRAM UNDER 10 USC 2809. IF WE ARE SUCCESSFUL IN OUR INITIATIVES IN THESE PROGRAMS, WE WOULD EXPECT TO SEEK EXPANDED AUTHORITY IN THE FUTURE.

FINALLY, IN THE MORE UNIQUE AREAS OF PUBLIC/PRIVATE VENTURES, WE ARE WELL ALONG IN PLANNING FOR THE DEVELOPMENT AND LEASE OF LAND AT HENDERSON HALL, ARLINGTON, VIRGINIA; THE BROADWAY COMPLEX REDEVELOPMENT IN SAN DIEGO, CALIFORNIA; AND THE LEASING ALTERNATIVES IN THE NATIONAL CAPITAL REGION. WITH YOUR SUPPORT OF THE ENABLING LEGISLATION IN THE ADMINISTRATION'S PROPOSED MILITARY CONSTRUCTION AUTHORIZATION ACT, 1990 AND 1991, APPROXIMATELY 40,000 SQUARE FEET OF A MULTIPURPOSE FACILITY WILL BE AVAILABLE TO THE MARINE CORPS AT HENDERSON HALL WITHOUT THE NEED TO EXPEND APPROPRIATE FUNDS TO FINANCE THE CONSTRUCTION OF THE FACILITY. THE BROADWAY COMPLEX

WILL PROVIDE US AS MUCH AS 1 MILLION SQUARE FEET OF OFFICE SPACE AS AUTHORIZED UNDER P.L. 99-661. THE NATIONAL CAPITAL REGION LEASE PROPOSAL WILL PROVIDE US 3 MILLION SQUARE FEET OF OFFICE SPACE AS AUTHORIZED UNDER P.L. 100-456. IN ADDITION, WE ARE PROCEEDING WITH INVESTIGATING THE FEASIBILITY OF EXCHANGING LAND HOLDINGS FOR A CAUSEWAY TO FORD ISLAND TO BE BUILT BY THE STATE OF HAWAII AS NOTED IN THE FISCAL YEAR 1989 MILITARY CONSTRUCTION APPROPRIATIONS CONFERENCE REPORT. EACH OF THESE UNDERTAKINGS HAS THE POTENTIAL OF SAVING CONSIDERABLE AMOUNTS OF TAXPAYER DOLLARS, AS WELL AS PROVIDING FACILITIES, SERVICES, AND/OR A PRODUCT IN A MORE TIMELY MANNER. WE WILL CONTINUE TO PURSUE SIMILAR INITIATIVES AND SEEK YOUR SUPPORT FOR NECESSARY LEGISLATION REQUIRED TO IMPLEMENT THESE INITIATIVES.

ALL OF OUR PUBLIC/PRIVATE VENTURES HAVE BEEN COOPERATIVE ENDEAVORS BETWEEN THE CONGRESS AND THE ADMINISTRATION. WE LOOK FORWARD TO CONTINUING THIS COOPERATIVE EFFORT AS AN ALTERNATIVE FOR PROVIDING NEEDED FACILITIES IN A TIME OF DECREASING BUDGETS.

LEGISLATIVE PROVISIONS

INCLUDED IN THE PROPOSED AUTHORIZATION ACT ARE TWO GENERAL PROVISIONS THAT SHOULD ASSIST IN PROVIDING ECONOMIES IN OUR ACQUISITION PROCESS AND IN COPING WITH THE BUDGETARY CONSTRAINTS. THE GENERAL PROVISION THAT RAISES THE MINOR CONSTRUCTION CEILINGS FOR MILITARY CONSTRUCTION FUNDS TO $1.5 MILLION AND FOR OPERATION AND MAINTENANCE FUNDS TO $300,000 WOULD ENABLE US TO OBTAIN FACILITIES EARLIER, AND WOULD REDUCE ADMINISTRATIVE COSTS AND MINIMIZE COST INCREASES ASSOCIATED WITH INFLATION. SIMILARLY, THE PROVISION WHICH SIMPLIFIES OUR COST VARIATION PROCEDURES SHOULD ALSO RESULT IN EARLIER AWARDS AT LESS COST.

JAPANESE FACILITIES IMPROVEMENT PROGRAM

AN INCREASINGLY SUCCESSFUL AVENUE BY WHICH WE HAVE BEEN OBTAINING ESSENTIAL FACILITIES WITHOUT USING MILITARY CONSTRUCTION FUNDING IS THE JAPANESE FACILITY IMPROVEMENT PROGRAM (JFIP). THROUGH THIS PROGRAM, THE GOVERNMENT OF JAPAN HAS FUNDED APPROXIMATELY $1.1 BILLION FOR NAVY AND MARINE CORPS FACILITIES DURING FISCAL YEARS 1979 THROUGH 1988. THE PROPOSED FISCAL YEARS 1989 AND 1990 PROGRAMS WILL PROVIDE AN ADDITIONAL $500 MILLION. FROM A FACILITIES SUPPORT POINT OF VIEW, WE SEE THE JFIP AS A SUCCESS STORY FOR OUR PEOPLE ASSIGNED IN JAPAN. BECAUSE OF THIS STRONG SUPPORT, WE HAVE ROUTINELY PROGRAMMED ONLY THOSE THREE OR FOUR PROJECTS PER YEAR THAT WERE CONSIDERED INELIGIBLE FOR JFIP FUNDING.

MILITARY CONSTRUCTION

THE FY 1990 AND 1991 BUDGET SUBMISSIONS FOR THE NAVY AND MARINE CORPS MILITARY CONSTRUCTION REQUEST ARE $1.13 BILLION AND $1.21 BILLION, RESPECTIVELY. THE REQUESTS REPRESENT BALANCED PROGRAMS PROVIDING NECESSARY FACILITIES IN SUPPORT OF BOTH OUR CURRENT AND NEW MISSIONS. ALTHOUGH THE PROGRAMS ARE LESS THAN THE PREVIOUS EIGHT YEARS, WE HAVE BEEN ABLE TO PLACE INCREASED EMPHASIS ON CURRENT MISSION REQUIREMENTS. HELPING TO MAKE THIS POSSIBLE HAS BEEN THE REDUCTION IN CONSTRUCTION REQUIREMENTS FOR TRIDENT AND STRATEGIC HOMEPORTING. WE HAVE INCLUDED IN THE CURRENT MISSION CATEGORY 67 PERCENT OF THE FY 1990 MILITARY CONSTRUCTION PROJECTS ($684 MILLION) AND 64 PERCENT OF THE FY 1991 MILITARY CONSTRUCTION PROJECTS ($719 MILLION) WHILE ONLY 36 PERCENT OF THE FY 1989 MILITARY CONSTRUCTION PROJECTS ($518 MILLION) WAS FOR CURRENT MISSION REQUIREMENTS. WITH THIS CONTINUED EMPHASIS ON CURRENT MISSIONS, WE ARE TAKING A POSITIVE STEP TOWARD THE REPLACEMENT AND MODERNIZATION OF OUR EXISTING FACILITIES, AND THUS FOCUSING

UPON OUR MOST PRESSING PROBLEMS.

QUALITY OF LIFE

WE CONTINUE TO PLACE EMPHASIS ON THE QUALITY OF LIFE OF OUR PEOPLE WITH $324 MILLION OF THE REQUEST BEING FOR TROOP HOUSING AND COMMUNITY FACILITIES. OF THIS AMOUNT, $289 MILLION WILL PROVIDE 9,633 NEW AND MODERNIZED SPACES AND MESS FACILITIES FOR OUR SAILORS AND MARINES. IN THE FISCAL YEAR 1990 PROGRAM WE ARE ALSO TAKING A MAJOR STEP IN PROVIDING FOR A CRITICAL SHORTAGE IN ADEQUATE CHILD DEVELOPMENT CENTERS THROUGHOUT OUR SHORE ESTABLISHMENT. THIRTEEN CENTERS FOR $15.8 MILLION WILL PROVIDE FACILITIES AT ACTIVITIES WITH THE MOST URGENT NEED. I SOLICIT YOUR SUPPORT FOR THESE ESSENTIAL FACILITIES. FINALLY, ALTHOUGH QUALITY OF LIFE IS USUALLY ONLY RELATED TO HOUSING AND MORALE, WELFARE AND RECREATION TYPE FACILITIES, WE CONTINUE TO BELIEVE THAT THE MAJORITY OF OUR MILITARY CONSTRUCTION PROJECTS WILL DIRECTLY OR INDIRECTLY IMPROVE THE QUALITY OF LIFE OF OUR PERSONNEL IN THE WORKPLACE.

STRATEGIC HOMEPORTING

THE NAVY HAS MADE SIGNIFICANT PROGRESS IN EXECUTING ITS STRATEGIC HOMEPORTING PROGRAM, AND THIS BIENNIAL BUDGET REQUESTS FUNDING CONSISTENT WITH PREVIOUS CONGRESSIONAL DIRECTION AND CURRENT FLEET REQUIREMENTS. OUR FY 1990 REQUEST TOTALS $77.2 MILLION AND INCLUDES $30.9 MILLION FOR NAVAL STATION STATEN ISLAND, NEW YORK; $26.0 MILLION FOR THE GULF COAST; AND $20.3 MILLION FOR NAVAL STATION EVERETT, WASHINGTON. ADDITIONALLY, THE DEFENSE BUDGET INCLUDES $7.6 MILLION FOR CLINICS AT THE GULF COAST HOMEPORTS OF PASCAGOULA, MISSISSIPPI; MOBILE, ALABAMA; AND INGLESIDE, TEXAS. OUR FY 1991 REQUEST TOTALS $25.6 MILLION AND INCLUDES $22.2 MILLION FOR EVERETT AND $3.4 MILLION FOR LONG BEACH, CALIFORNIA ALSO, OUR FY 1991 HOUSING BUDGET INCLUDES $19.6 MILLION FOR 150 UNITS

OF FAMILY HOUSING FOR STATEN ISLAND.

STRATEGIC HOMEPORTING FUNDING THROUGH FY 1989 TOTALS $548.3 MILLION WITH AN ADDITIONAL $40.4 MILLION APPROVED FOR FAMILY HOUSING AT STATEN ISLAND. OUR BUDGET REQUEST, INCLUDING THE GULF COAST CLINICS, RAISES THIS TOTAL TO $658.7 MILLION THROUGH FY 1991, PLUS HOUSING CONSTRUCTION OF $60 MILLION. THIS BUDGET DOES NOT ADDRESS THE FY 1989 CONGRESSIONAL DECISION TO AUTHORIZE, BUT NOT APPROPRIATE, $8.2 MILLION FOR PASCAGOULA PROJECTS. IN EVERY OTHER CASE, OUR REQUEST REFLECTS MINIMUM FUNDING REQUIRED TO SUPPORT COST EFFECTIVE EXECUTION PLANS, AND SHOULD BE FULLY SUPPORTED TO AVOID CONSTRUCTION COST INCREASES AND OPERATIONAL IMPACTS THAT WOULD ACCOMPANY DELAYED ACTIVATION OF THE NEW HOMEPORTS.

FIVE NAVAL INSTALLATIONS DESIGNATED BY THE DEFENSE SECRETARY'S COMMISSION ON BASE REALIGNMENT AND CLOSURE TO BE CLOSED OR REALIGNED AFFECT STRATEGIC HOMEPORTING SITES. APPROXIMATELY $300 MILLION IN NEW FACILITIES HAVE BEEN IDENTIFIED TO ACCOMMODATE THESE REALIGNMENT AND CLOSURE ACTIONS AND WE HAVE INITIATED ACTION TO DESIGN ABOUT ONE-HALF OF THIS NEW PROGRAM. ADDITIONAL CONSTRUCTION WILL BE REQUIRED AT STATEN ISLAND, INGLESIDE AND EVERETT BECAUSE OF THE COMMISSION'S RECOMMENDATIONS: (1) TO CLOSE NAVAL STATION BROOKLYN, NEW YORK; (2) NOT TO OPEN THE PROPOSED STRATEGIC HOMEPORTS AT GALVESTON, TEXAS AND LAKE CHARLES, LOUISIANA; AND (3) TO CONSOLIDATE NAVAL STATION PUGET SOUND (SAND POINT) WASHINGTON. ALSO, ADDITIONAL CONSTRUCTION IS REQUIRED AT NAVAL STATION PEARL HARBOR, HAWAII AND NAVAL STATION SAN DIEGO, CALIFORNIA AS A RESULT OF THE RECOMMENDATION TO RETAIN THE CURRENT MISSION AT HUNTERS POINT, SAN FRANCISCO, CALIFORNIA. WHEN FEASIBLE, WE INTEND TO UTILIZE EXISTING ARCHITECT/ENGINEER AND CONSTRUCTION CONTRACTS AT STATEN ISLAND, INGLESIDE AND

EVERETT TO FACILITATE COST-EFFECTIVE AND TIMELY CONSTRUCTION NECESSITATED BY THE BASE CLOSURE AND REALIGNMENT ACTIONS.

AT STATEN ISLAND, DREDGING IS FINISHED AND PIER CONSTRUCTION IS OVER 85 PERCENT COMPLETE. A SHORE INTERMEDIATE MAINTENANCE ACTIVITY IS PAST THE MIDPOINT OF CONSTRUCTION, AND THE BEQ AND MESS HALL ARE OVER 30 PERCENT COMPLETE. CONSTRUCTION HAS BEGUN ON A UTILITY PLANT, AND 400 UNITS OF FAMILY HOUSING ARE SCHEDULED TO BE COMPLETED BY SUMMER OF 1990. OUR FY 1990 REQUEST INCLUDES $17 MILLION TO FUND PRIOR YEAR CUTS IN UTILITY AND SITE IMPROVEMENTS, AND NEEDS TO BE FULLY SUPPORTED THIS YEAR TO COMPLETE AND ACTIVATE THE NEW HOMEPORT ON SCHEDULE. THE NAVY'S BASE REALIGNMENT AND CLOSURE PROGRAM (BRCP) INCLUDES ADDITIONAL PROJECTS AT AN ESTIMATED COST OF $76.3 MILLION TO IMPLEMENT THE RECOMMENDATION TO CLOSE NAVAL STATION NEW YORK IN BROOKLYN.

OUR FY 1990 REQUEST INCLUDES THE FINAL INCREMENT OF FUNDING FOR THE GULF COAST HOMEPORTS, WITH THE EXCEPTION OF THE $8.2 MILLION UNDERFUNDING PROBLEM AT PASCAGOULA THAT I PREVIOUSLY MENTIONED. CONSTRUCTION IS PROCEEDING ON SCHEDULE AT MOBILE, PASCAGOULA AND INGLESIDE, AND DREDGING AND WHARF RENOVATION WILL COMMENCE SHORTLY AT PENSACOLA, FLORIDA. IN VIEW OF THE BASE CLOSURE COMMISSION'S RECOMMENDATION, WE HAVE DISCUSSED CLOSURE PLANS WITH THE AFFECTED COMMUNITIES OF LAKE CHARLES AND GALVESTON AND HAVE TERMINATED ACTIVE CONSTRUCTION CONTRACTS. ADDITIONAL BRCP PROJECTS AT AN ESTIMATED COST OF $30.6 MILLION WILL BE REQUIRED AT INGLESIDE BECAUSE OF THE CLOSURES.

AT EVERETT, I AM PLEASED TO REPORT THAT WE HAVE CONCLUDED A LANDMARK SETTLEMENT AGREEMENT WITH THE ENVIRONMENTAL GROUPS WHICH PREVIOUSLY OPPOSED OUR DREDGE DISPOSAL PLANS IN FEDERAL AND STATE COURT. WE HAVE MODIFIED OUR DREDGING AND

CONSTRUCTION PLANS TO CONFORM TO THE COURT APPROVED SETTLEMENT AGREEMENT, AND PLAN TO AWARD A CONTRACT FOR DREDGING AND CARRIER PIER CONSTRUCTION THIS SUMMER. THE NEW, AGREED UPON PLAN DOES NOT INCREASE OVERALL CONSTRUCTION COST, AND SUPPORTS ACTIVATION OF THE CARRIER PIER IN 1992, CONSISTENT WITH OPERATIONAL REQUIREMENTS. OUR FY 1990 REQUEST PROVIDES THE FINAL INCREMENT OF FUNDS FOR THE PREVIOUSLY NEGOTIATED MULTI-YEAR LAND PURCHASE, AND FUNDS CRITICAL UTILITY SYSTEMS NECESSARY TO COMPLETE THE CARRIER PIER. OUR FY 1991 BUDGET INCLUDES FUNDING FOR THE HIGHEST PRIORITY VERTICAL FACILITIES REQUIRED TO SUPPORT THE CARRIER. THESE REQUESTS REFLECT OUR CURRENT CONSTRUCTION AND OPERATIONAL SCHEDULES, AND FULL FUNDING IS NECESSARY TO AVOID ANY ADDITIONAL DELAYS IN ACTIVATION OF THE HOMEPORT. DESPITE ITS TROUBLED PAST, EVERETT MAY ULTIMATELY BE VIEWED AS AN ENVIRONMENTAL SUCCESS STORY - A STORY IN WHICH NATIONAL SECURITY AND ENVIRONMENTAL PROTECTION GOALS COULD BOTH BE REALIZED THROUGH UNDERSTANDING, COOPERATION, AND TECHNOLOGICAL ADVANCEMENT. WITH THE COOPERATION OF OFFICIALS OF THE STATE OF WASHINGTON DEPARTMENT OF ECOLOGY AND THE SIERRA CLUB, WE WERE ABLE TO DEVELOP A WORKABLE APPROACH THAT BALANCED TOUGH ENVIRONMENTAL CONTROLS WITH THE STRATEGIC NECESSITY TO CONSTRUCT A HOMEPORT FOR A CARRIER BATTLEGROUP. THE CONSOLIDATION OF NAVAL STATION PUGET SOUND WILL RESULT IN ABOUT $92.3 MILLION IN ADDITIONAL BRCP PROJECTS.

OUR FY 1990 BUDGET DOES NOT INCLUDE CONSTRUCTION FUNDING FOR A WEST COAST BATTLESHIP BATTLE GROUP (BBBG). OUR FY 1991 BUDGET DOES INCLUDE FUNDING FOR A PREVIOUSLY DEFERRED HOMEPORTING PROJECT AT LONG BEACH. PLANNING REQUIRED TO IMPLEMENT THE BASE CLOSURE COMMISSION'S RECOMMENDATION REGARDING HUNTERS POINT IS CURRENTLY UNDERWAY, AND CONSTRUCTION

REQUIRED FOR THE BBBG IS ESTIMATED TO RESULT IN BRCP PROJECT REQUIREMENTS OF $31.2 MILLION AT NAVAL STATION SAN DIEGO AND $73.6 MILLION AT NAVAL STATION PEARL HARBOR.

WHEN ASKED IF THE NAVY STILL REQUIRES 600 SHIPS TO MEET ITS WORLDWIDE COMMITMENTS, THE CHIEF OF NAVAL OPERATIONS RECENTLY RESPONDED BY STATING THAT, "THE PHILOSOPHY BEHIND THE ESTABLISHMENT OF THE REQUIREMENTS WHICH LED TO THE GOAL OF THE STATED 600-SHIP NAVY REALLY HAS NOT CHANGED." HE HAS ALSO POINTED OUT THE DIFFICULTIES OF MEETING NAVY COMMITMENTS IN OTHER AREAS OF THE WORLD WITH LESS THAN 15 DEPLOYABLE CARRIERS AND THE FOUR RECOMMISSIONED BATTLESHIPS. I WOULD LIKE TO EMPHASIZE THAT WE MUST COMPLETE THE STRATEGIC HOMEPORTING PROGRAM ON SCHEDULE TO ADEQUATELY BERTH AND PROPERLY SUPPORT OUR MODERN, HIGHLY CAPABLE BATTLE FORCE SHIPS AND THE DEDICATED, PROFESSIONAL CREWS THAT MAN THEM. THE STRATEGIC HOMEPORTING PROGRAM DIRECTLY ADDRESSES ESSENTIAL SUPPORT REQUIREMENTS FOR OUR BATTLESHIPS AND CARRIERS AND THEIR SUPPORTING BATTLEGROUPS. DELAYS IN REACHING THE GOAL OF 600 SHIPS AND OTHER RELATED ADJUSTMENTS IN FORCE STRUCTURE DO NOT ALTER OUR NATION'S ROLE AND RESPONSIBILITY AS A MARITIME POWER AND ITS UNDIMINISHED NEED TO STRENGTHEN ITS MARITIME INFRASTRUCTURE. WITH THIS IN MIND, I SOLICIT YOUR FULL SUPPORT FOR HOMEPORTING CONSTRUCTION INCLUDED IN THIS BUDGET.

NAPLES RELOCATION

NEXT, I WOULD LIKE TO UPDATE YOU ON THE STATUS OF OUR RELOCATION FROM THE LEASED BUILDINGS IN NAPLES, ITALY. LAST YEAR, THE CONGRESS APPROVED OUR LESS COSTLY ALTERNATIVE OF RELOCATING TO THE CAPODICHINO AIRPORT SITE THOSE FUNCTIONS HOUSED IN THE HIGH RISE BUILDINGS ENDANGERED BY THE SEISMIC THREAT IN AGNANO. THE FIRST INCREMENT OF FUNDING IN THE AMOUNT OF $21.6 MILLION WAS APPROPRIATED FOR A BEQ, PARKING

GARAGE, FIRE STATION, SECURITY BUILDING, UTILITIES AND SITE IMPROVEMENTS. THE $46.6 MILLION IN THE FY 1990 BUDGET REQUEST WILL COMPLETE THE NAVY'S FUNDING FOR THE CAPODICHINO ALTERNATIVE, PROVIDING A COMMAND, CONTROL, COMMUNICATIONS AND INTELLIGENCE BUILDING; ADMINISTRATION BUILDING; MARINE CORPS SUPPORT FACILITY; PARKING GARAGE; PASS AND IDENTIFICATION FACILITIES; UTILITIES AND ROADS. THE REMAINING FACILITY TO BE RELOCATED UNDER THE CAPODICHINO ALTERNATIVE, THE HOSPITAL, IS EXPECTED TO BE REQUESTED IN A SUBSEQUENT BUDGET IN THE DEFENSE AGENCIES' PROGRAM.

COMPLEMENTING THE RELOCATION TO CAPODICHINO, WE ARE PREPARING A DEVELOPMENT PLAN TO ACQUIRE, THROUGH LONG-TERM LEASES, COMMUNITY FACILITIES AT A SUPPORT SITE COMPLEX. THIS SUPPORT COMPLEX WOULD PROVIDE REPLACEMENT FACILITIES FOR THOSE LOW RISE BUILDINGS IN THE AGNANO COMPOUND THAT ARE LESS SUSCEPTIBLE TO EARTHQUAKE DAMAGE AND ARE NOT BEING RELOCATED TO THE CAPODICHINO AIRPORT. I REQUEST YOUR CONTINUED SUPPORT OF THE VITAL RELOCATION TO CAPODICHINO BY APPROVING THE FY 1990 REQUEST FOR $46.6 MILLION.

NAVY'S FUTURE

IF WE ARE TO ADEQUATELY PREPARE THE BEST AND BRIGHTEST FOR THEIR DEMANDING ROLES IN OUR INCREASINGLY COMPLEX NAVY, WE MUST PROVIDE THEM AN ACADEMIC AND TECHNOLOGICAL ENVIRONMENT COMPATIBLE WITH OUR SISTER SERVICES AND THE LEADING PUBLIC AND PRIVATE INSTITUTIONS. WE HAVE THEREFORE INCLUDED IN OUR REQUEST PROJECTS AT THE NAVAL ACADEMY ANNAPOLIS, MARYLAND; NAVAL POSTGRADUATE SCHOOL MONTEREY, CALIFORNIA; AND RESEARCH AND DEVELOPMENT ACTIVITIES THROUGHOUT THE COUNTRY THAT WILL ENHANCE ACADEMIC AND TECHNOLOGICAL EXCELLENCE ESSENTIAL TO THE FUTURE OF THE NAVY.

FIRST, AT THE U.S. NAVAL ACADEMY, WE ARE REQUESTING $48

MILLION IN AUTHORIZATION IN FY 1990 AND $24 MILLION IN APPROPRIATIONS IN BOTH FY 1990 AND 1991 TO PROVIDE ADDITIONAL DORMITORY ROOMS THAT WILL ACCOMMODATE 924 MIDSHIPMEN. THIS EXPANSION TO BANCROFT HALL WILL ALLEVIATE A SEVERE OVERCROWDING SITUATION WHICH THREATENS TO IMPEDE THE HIGH LEVEL OF ACADEMIC EXCELLENCE NECESSARY FOR TOMORROW'S LEADERS OF OUR NAVY. THE DEFICIENCY IN SPACE HAS BEEN INCREASING FOR THE PAST TWENTY YEARS AND HAS REACHED A LEVEL WHERE IMMEDIATE CORRECTIVE ACTION IS NECESSARY.

SIMILARLY, OUR DEFICIENCIES IN ACADEMIC SPACES AT OUR NAVAL POSTGRADUATE SCHOOL AT MONTEREY, CALIFORNIA HAVE BEEN GROWING FOR THE PAST TWENTY YEARS WITHOUT CORRECTIVE ACTION. THEY TOO HAVE REACHED A LEVEL WHERE IMMEDIATE RELIEF IS ESSENTIAL IF WE ARE TO PROVIDE THE HIGH LEVEL OF TECHNICAL AND PROFESSIONAL INSTRUCTION NECESSARY TO MEET THE NEEDS OF THE NAVY. WE HAVE THEREFORE REQUESTED $16.7 MILLION IN FY 1990 TO PROVIDE FOR THE TWO MOST URGENT REQUIREMENTS AND $12.1 MILLION IN FY 1991 FOR FIVE LESS URGENT BUT ESSENTIAL FACILITIES.

FINALLY, SUPPORTING THE FUTURE OF OUR COMPLEX SHIPS AND WEAPONS SYSTEMS ESSENTIAL TO OUR CONTINUED MARITIME SUPERIORITY, WE HAVE REQUESTED $78.7 MILLION IN FY 1990 AND $95.7 MILLION IN FY 1991 FOR 27 PROJECTS SUPPORTING RESEARCH AND DEVELOPMENT EFFORTS. YOUR SUPPORT OF THESE PROJECTS WILL ENSURE THAT THE NAVY OF THE FUTURE WILL BE READY AND ABLE TO CARRY OUT ITS MISSION IN OUR COMPLEX AND SOPHISTICATED WORLD.

FAMILY HOUSING

RECOGNIZING THAT THE AVAILABILITY OF SUITABLE LIVING QUARTERS IS A BASIC COMPONENT OF BOTH RETENTION AND READINESS, WE HAVE BEEN LARGELY SUCCESSFUL IN PROVIDING STEADY GROWTH TO THE FAMILY HOUSING PROGRAM IN ORDER TO KEEP PACE WITH OUR AGING INVENTORY OF FAMILY HOUSING UNITS AND TO ADDRESS OUR

LONG-STANDING DEFICITS. OUR TOTAL FISCAL YEAR 1990 REQUEST IS $752.2 MILLION AND FY 1991 IS $871.1 MILLION. ALTHOUGH THE FY 1990 PROGRAM REPRESENTS A 5.9% REDUCTION FROM THE $799.2 APPROPRIATED IN FY 1989, THE FY 1991 PROGRAM REPRESENTS A 9.0% INCREASE.

THE FY 1990 NEW CONSTRUCTION PROGRAM PROVIDES FOR 795 NEW UNITS AT THREE LOCATIONS WITHIN THE UNITED STATES AND TWO LOCATIONS OVERSEAS. IT ALSO PROVIDES FOR ESSENTIAL SUPPORT FACILITIES AT THREE LOCATIONS. IN FY 1991 WE HAVE INCREASED OUR NEW CONSTRUCTION FUNDING TO CONTINUE OUR PROGRAMMING GOAL OF ELIMINATING THE FAMILY HOUSING DEFICIT. THE FY 1991 PROGRAM OF $149.0 MILLION ALLOWS FOR THE CONSTRUCTION OF 1228 UNITS AT FOUR LOCATIONS IN THE UNITED STATES AND TWO OVERSEAS LOCATIONS. SUPPORT FACILITIES FOR FOUR LOCATIONS ARE ALSO INCLUDED. THE LOCATIONS SELECTED FOR NEW CONSTRUCTION IN BOTH FISCAL YEARS ARE THOSE AREAS WHERE HOUSING IN THE LOCAL COMMUNITY IS NOT AVAILABLE, IS INSUFFICIENT OR IS UNAFFORDABLE EVEN WITH THE VARIABLE HOUSING ALLOWANCE.

IN AN EFFORT TO COPE WITH THE LOWER FUNDING LEVELS, ALTERNATIVE ACQUISITION STRATEGIES ARE BEING PURSUED. A KEY ELEMENT TO OUR ACQUISITION PLAN, THE SECTION 801 BUILD-TO-LEASE PROGRAM IS EXPECTED TO ADD ABOUT 4,000 UNITS TO OUR INVENTORY BY 1994.

ALTHOUGH WE ARE CONTINUING OUR LONG TERM PLAN TO ELIMINATE THE FAMILY HOUSING DEFICIT, THE FY 1990 PROGRAM PLACES PRIMARY EMPHASIS ON THE REPAIR PROGRAM. WITH THE BACKLOG OF MAINTENANCE CONTINUING TO GROW, WE MADE A DELIBERATE DECISION TO TAKE CARE OF OUR CURRENT INVENTORY AND INCREASE THE FUNDING FOR OUR MAJOR MAINTENANCE/REPAIR PROGRAM FROM $241.9 MILLION IN FY 1989 TO $301.1 MILLION IN FY 1990. OUR FY 1991 MAINTENANCE PROGRAM OF $310.5 IS A STABILIZED PROGRAM, ALLOWING ONLY FOR

INFLATION. FUNDING THIS LEVEL OF EFFORT WILL REDUCE THE NAVY'S BACKLOG FROM THE CURRENT LEVEL OF OVER $700 MILLION TO ABOUT $130 MILLION BY THE YEAR 2000.

WE HAVE INCLUDED $41.7 MILLION AND $45.7 MILLION FOR FISCAL YEARS 1990 AND 1991, RESPECTIVELY, FOR THE IMPROVEMENTS PROGRAM TO PROVIDE OUR NAVY AND MARINE CORPS FAMILIES WITH PLACES TO LIVE THAT COMPARE FAVORABLY WITH THOSE FOUND IN THE LOCAL COMMUNITIES. THIS PROGRAM IS STABLE AND ALLOWS ONLY FOR INFLATION.

THE OPERATIONS AND UTILITIES ACCOUNTS ARE $281.9 MILLION IN FY 1990 AND $297.8 MILLION IN FY 1991. THESE ACCOUNTS ARE ALSO STABILIZED, ALLOWING FOR ONLY INFLATION AND NEW UNITS COMING ON LINE, AND PROVIDE THE FIXED FUNDING REQUIRED TO OPERATE OUR FAMILY HOUSING UNITS.

REDUCTIONS TO ANY FAMILY HOUSING ACCOUNT WOULD SEVERELY DELAY OUR EFFORTS TO PROVIDE SUITABLE LIVING QUARTERS FOR OUR MILITARY FAMILIES.

REAL PROPERTY MAINTENANCE

THE LEVEL OF FUNDING FOR THE MAINTENANCE OF OUR REAL PROPERTY HAS BEEN RELATIVELY STABLE DURING THE 1980'S. SINCE THE AVERAGE AGE OF OUR FACILITIES IS OVER 40 YEARS, OUR MAINTENANCE AND REPAIR REQUIREMENTS HAVE CONTINUED TO INCREASE. DURING THE EARLY AND MID-1980'S, WE HAD A GRADUAL GROWTH IN THE PROGRAM, WHICH ALLOWED US TO CURB THE RATE OF GROWTH OF OUR BACKLOG OF MAINTENANCE AND REPAIR (BMAR). HOWEVER, SINCE THIS BUDGET AND THE FUNDING LEVELS OF THE PAST TWO YEARS REPRESENT A DECLINE IN OUR REAL PROPERTY MAINTENANCE FUNDING, WE ARE EXPERIENCING AN INCREASE IN THE RATE OF GROWTH OF OUR BMAR. WE ARE ATTEMPTING TO INCREASE OUR PROGRAM LEVELS BEGINNING IN FY 1992 IN AN EFFORT TO AGAIN CURB THE BMAR GROWTH RATE. DURING THESE YEARS OF LOW FUNDING WE HAVE INITIATED

INTENSIVE MANAGEMENT EFFORTS TO AVOID A SIGNIFICANT IMPACT ON FLEET SUPPORT. AS PREVIOUSLY MENTIONED, WE ARE USING OUR SHORE FACILITIES LIFE EXTENSION PROGRAM TO FOCUS OUR EFFORT ON REPAIR AND REPLACEMENT OF THOSE SHORE FACILITIES WHICH HAVE THE GREATEST IMPACT ON READINESS. OUR SHORE BASE READINESS REPORTING SYSTEM (BASEREP) HIGHLIGHTS THOSE FACILITY REQUIREMENTS RESULTING IN UNSATISFACTORY READINESS RATINGS. WE TARGET OUR AVAILABLE RESOURCES IN THESE CRITICAL AREAS TO AVOID ADVERSE IMPACTS ON THE ABILITY OF OUR SHIPS AND AIRCRAFT TO ACCOMPLISH THEIR MISSION.

CONCLUSION

MR. CHAIRMAN, WE HAVE PRESENTED YOU A MODEST BUT WELL STRUCTURED BUDGET REQUEST. IT PROVIDES FOR THE ORDERLY COMPLETION OF NEW MISSION INVESTMENTS SUCH AS THOSE IN SUPPORT OF THE TRIDENT SUBMARINE AT KINGS BAY, GEORGIA; STRATEGIC HOMEPORTING, AND RELOCATABLE OVER-THE-HORIZON RADARS, WHILE SUPPORTING OUR CURRENT MISSIONS AND REPAIRING/REPLACING CRITICAL FACILITIES OF OUR AGING PLANT. WE HAVE NOT NEGLECTED THE NECESSARY FACILITIES THAT DIRECTLY ENHANCE THE QUALITY OF LIFE OF OUR PEOPLE OR THOSE FACILITIES ESSENTIAL TO THE FUTURE OF OUR NAVY. IN ADDITION, WE ARE TAKING POSITIVE STEPS TO OPTIMIZE THE MANAGEMENT OF OUR FACILITIES AND FURTHER ENHANCE THE BASE SUPPORT FOR OUR OPERATING FORCES. MR. CHAIRMAN, WE SOLICIT YOUR FAVORABLE SUPPORT OF THE REQUEST.

Senator Dixon. Thank you very much, Admiral Doebler.
General Ahern.

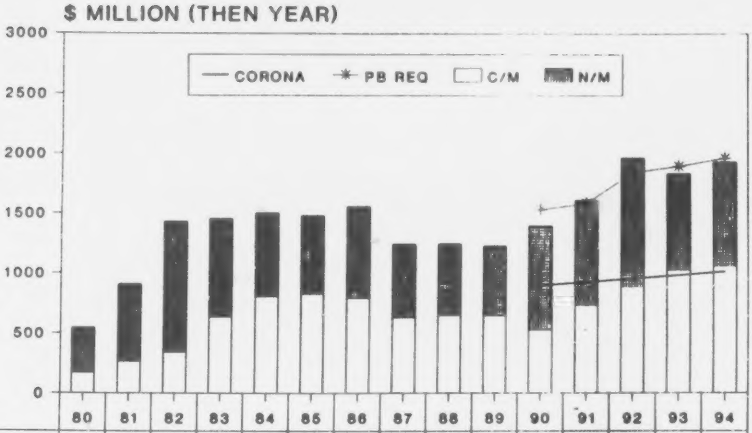
STATEMENT OF MAJ. GEN. JOSEPH A. AHEARN, U.S. AIR FORCE, DIRECTOR OF ENGINEERING AND SERVICES

General Ahearn. Yes, sir, Mr. Chairman. Thank you for the opportunity to address the subcommittee. I would like to refer you to the Air Force charts that are before you. I have five charts to present, and the purpose of the charts is to review some trends and to make some points that I think are relevant.

1

MILCON -- ACTIVE

FY 90-94 AMENDED PRESIDENT'S BUDGET



	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94
TOTAL FUND	544	908	1430	1454	1499	1478	1554	1240	1241	1226	1393	1606	1959	1826	1923
N/M	372	645	1088	819	694	654	765	613	596	582	868	878	1075	805	868
C/M	172	263	342	635	805	824	789	627	645	644	525	728	884	1021	1055
PB REQ											1528	1579	1839	1889	1955
CORONA											898	923	951	979	1008

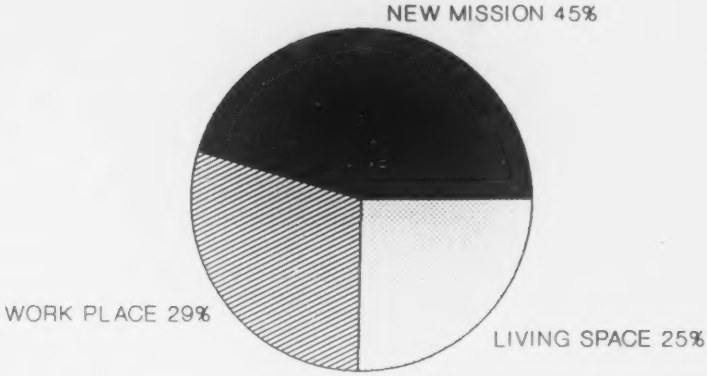
APPROPRIATION | FY 90-94 AMENDED BUD

The first chart would be the military construction chart for the Active Force. I would like to highlight the trends. The chart shows division of resources, first, those needed to perform new missions. We call those the new mission line and the investment trend is shown on the cross hatched area on the top.

2

MILCON DISTRIBUTION

FY 81-89



Second are those investments that are required to care for people. Here we are talking a revitalization and modernization of our existing assets so that our people can perform and so that we can better care for them.

While new mission represents must pay bills to beddown new weapons, it is the current mission which represents our commitment to the quality force, the care for our people. The current mission is the investment where people work and where they live, plus the investment for the infrastructure that we set up for our launch and recovery platforms—our air bases.

Our air bases continue to age. And that age parallels the deterioration that goes on in the private sector. We need to curtail deterioration. Quality facilities will drive the efficiency and productivity of our people. I would like to highlight that we have such severe infrastructure problems that we have special programs focused at our large recruitment base at Lackland, a base out at the tip of the Aleutian Islands, Shemya, a space base at Vandenberg and a research and development base, our priority RD base at Edwards Air Force Base. Major infrastructure problems exist at those air bases.

The current mission trend you see shows a discernable drop between fiscal years 1986 and 1987 of $162 million and a further drop in fiscal year 1990 by a $119 million. I might comment that this does not represent less of a commitment on the part of the Air Force leadership. It reflects really, the realities of the fiscal constraints that we are facing.

The line that is on the right hand side struck about mid-way up 1990 through 1994 represents what we believe is the required investment. And we see there is about a $400 million shortfall in investment to take care of our infrastructure.

I would refer you then, sir, to the second chart where it distributes our investments that we have made during the period of 1981 through 1989. And here I focus on balance, where we put 45 percent of our investment into the bedding down of new missions, 29 percent of our investment to take care of our people in their work place and 25 percent of our investment to take care of our people where they live.

3

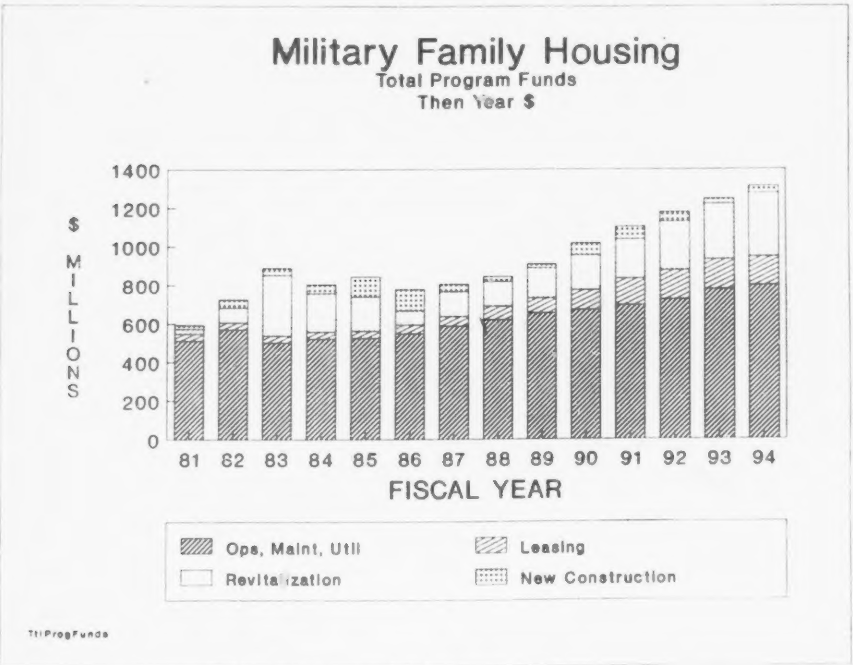
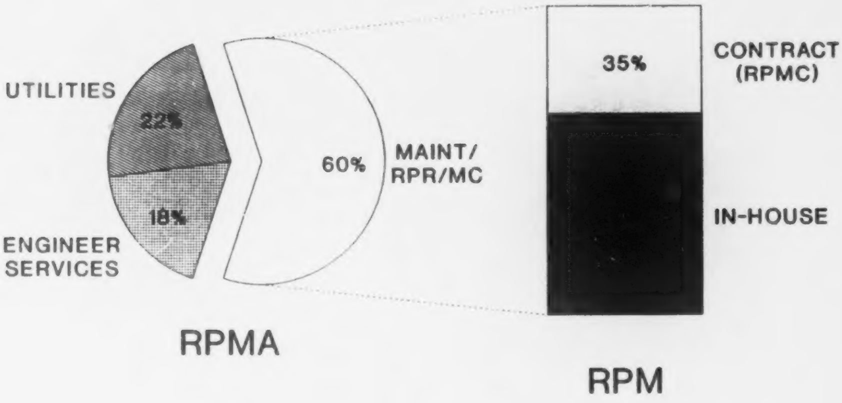


Chart 3 highlights military family housing. And in that chart you will see at first real growth, for family housing in the Air Force is the most significant problem. Here, we have the most significant funding shortfall and quality shortfall. Of 144,000 housing assets in the Air Force, 80,000 are out of phase with the times and require immediate attention. We do not have enough resources in the 5-year program, we have funds enough to fix but one-half of the requirement, about 40,000.

We need to find a way, and we believe that way is through privatization, being able to reenact the Capehart authorities such that this year when we make our last debt payment, that indeed we can go to the private sector to employ the leverage that this type of financing will give us to accelerate the completion. We have 80,000 houses needing fixing. We need to fix them in 10 years. The resources that we have will give us a fix in 25 years. By the time we are done with our resource string, all the rest of our housing will be out of phase with the times, sir. We have a major problem here.

4

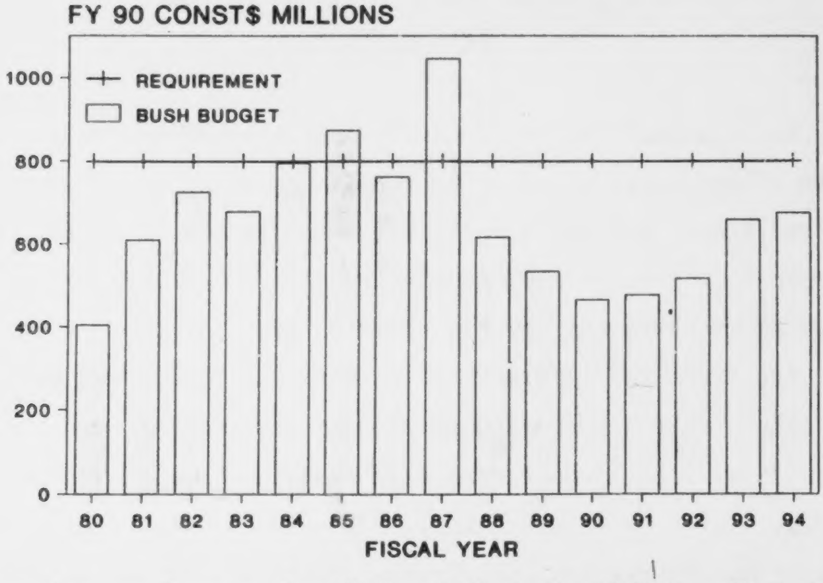
REAL PROPERTY MAINTENANCE ACTIVITIES
REAL PROPERTY MAINTENANCE



In real property maintenance, I refer you to chart number 4. We have an investment first in the overall account, the real property maintenance account. And I highlight the capital work that we do, called the maintenance and repair work, which is the upper block. Thirty-five percent of the whole real property maintenance account is capital maintenance and repair work done by contract.

5

REAL PROPERTY MAINTENANCE BY CONTRACT
O&M FUNDING VS REQUIREMENT



Here, too, we have a shortfall and that shortfall is reflected on chart number 5. There is a trough, a wide swing of about $400 million in fiscal years 1990, 1991 and 1992 that is the shortfall measured against our requirement line of $800 million per year.

Sir, thank you for the opportunity to summarize and to highlight the three major accounts that care for our facilities at our air bases.

[The prepared statement of Major General Ahearn follows:]

STATEMENT OF: MAJOR GENERAL JOSEPH A. AHEARN
Director of Air Force Engineering
Services

INTRODUCTION

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE, I AM MAJOR GENERAL BUD AHEARN, DIRECTOR OF ENGINEERING AND SERVICES, UNITED STATES AIR FORCE. IT IS A PLEASURE FOR ME TO APPEAR BEFORE YOUR COMMITTEE TO PRESENT THE AIR FORCE'S MILITARY CONSTRUCTION REQUEST FOR FISCAL YEARS 1990 AND 1991. AS YOU ARE ALL AWARE THE BUDGET THAT YOU HAVE BEFORE YOU HAS BEEN REVISED. THIS REVISED BUDGET REDUCES THE OVERALL DEPARTMENT OF DEFENSE BUDGET FOR FISCAL YEAR 1990 AND 1991 BY $10 BILLION AND $9.9 BILLION RESPECTIVELY. THIS REDUCTION WILL HAVE AN IMPACT ON OUR NEW MISSION MILITARY CONSTRUCTION THAT SUPPORTS WEAPON SYSTEMS BEDDOWNS. RECOGNIZING THAT ALL ELEMENTS OF THE DEFENSE BUDGET WOULD BE ASSESSED VERY CLOSELY, WE WORKED HARD TO MAINTAIN THE FAMILY HOUSING AND CURRENT MISSION AREAS OF OUR PROGRAM AT THE LEVELS OF ORIGINAL BUDGET SUBMISSION. WE WERE SUCCESSFUL AND IN FACT WE SHOW AN INCREASE FOR CURRENT MISSION PROJECTS IN THE REVISED FISCAL YEAR 1991 REQUEST.

OVERVIEW

OUR REVISED REQUEST FOR MILCON AND FAMILY HOUSING IS $2.401 BILLION IN FISCAL YEAR 1990 AND $2.709 BILLION FOR FISCAL YEAR 1991. OUR REVISED FISCAL YEAR 1990 REQUEST REPRESENTS A DECREASE OF $143 MILLION FROM THE JANUARY LEVELS BUT STILL AN INCREASE OF $204 MILLION OVER OUR FISCAL YEAR 1989 REQUEST. THE FISCAL YEAR 1990 AND 1991 INCREASES REPRESENT A COMMITMENT ON THE PART OF OUR LEADERSHIP TO

PROVIDE A QUALITY WORKING AND LIVING ENVIRONMENT FOR OUR PEOPLE. THIS INVESTMENT IMPROVES PRODUCTIVITY AND RETENTION.

OUR MILITARY CONSTRUCTION SUBMITTAL IS BROKEN INTO TWO MAJOR SECTIONS - MILCON AND MILITARY FAMILY HOUSING. THE MILCON PART OF OUR REVISED FISCAL YEAR 1990 AUTHORIZATION REQUEST IS $1.385 BILLION, A DECREASE OF $135 MILLION OVER THE JANUARY 1989 AUTHORIZATION REQUEST. OUR REVISED FISCAL YEAR 1991 REQUEST OF $1.606 BILLION IS AN INCREASE OF $27 MILLION. THE FAMILY HOUSING SECTION OF OUR REVISED FISCAL YEAR 1990 AUTHORIZATION REQUEST IS $1.016 BILLION, A DECREASE OF $7 MILLION. OUR REVISED FISCAL YEAR 1991 REQUEST OF $1.103 BILLION IS A DECREASE OF $7 MILLION FROM THE JANUARY 1989 REQUEST. THE DECREASES IN THE FAMILY HOUSING REQUESTS ARE THE RESULT OF FOREIGN CURRENCY ADJUSTMENTS AND NOT PROGRAM REDUCTIONS.

AT THIS POINT I WOULD EMPHASIZE SECRETARY OF DEFENSE CHENEY'S PRIORITIES OUTLINED IN RECENT CONGRESSIONAL TESTIMONY. HE SAID, "MY TOP PRIORITIES ARE QUALITY PEOPLE, FORWARD STRATEGY, READINESS AND SUSTAINABILITY, EFFICIENT PROCUREMENT AND STRATEGIC MODERNIZATION." THE REVISED MILITARY CONSTRUCTION REQUEST WAS MADE IN CONTEXT WITH THESE PRIORITIES.

AS WE BUILT AND REVISED THIS AUTHORIZATION REQUEST AND PREPARE TO EXECUTE ITS CONSTRUCTION PROJECTS, WE HAVE CHANGED SOME PROCESSES AND HAVE EMPLOYED SOME SPECIFIC PRINCIPLES. OUR PRIMARY FOCUS WILL BE THE QUALITY OF THE END PRODUCT OR SERVICE. IN THE LONG RUN THAT WILL PAY ENORMOUS DIVIDENDS. WE WILL ENSURE ACCOUNTABILITY SO THAT LIMITED RESOURCES ARE UTILIZED PROPERLY AND EFFICIENTLY. WE WILL APPLY PROGRESSIVE YET PROVEN TECHNOLOGIES AND FINALLY, WE WILL ALWAYS BE FUTURE LOOKING SO THAT WE CAN CONTINUE TO IMPROVE OUR PERFORMANCE.

BY ADHERING TO THESE PRINCIPLES I BELIEVE WE WILL BE ABLE TO CONTINUE TO SUPPORT FORCE MODERNIZATION, IMPROVE READINESS AND SUSTAINABILITY, AND CONTINUE THE REVITALIZATION OF THE AIR FORCE'S FACILITY INFRASTRUCTURE. HOWEVER, IN AN ATMOSPHERE OF DECLINING RESOURCES THIS WILL BE MUCH HARDER TO ACCOMPLISH. OUR FOCUS WILL BE ON QUALITY FACILITIES, PROVIDED ON TIME, AND WITHIN BUDGET. THE CONGRESS EXPECTS NO LESS AND THE AMERICAN TAXPAYER DESERVES NO LESS.

NEW MISSION MILCON

THE AIR FORCE SEPARATES ITS MILCON PROGRAM INTO TWO DISTINCT PARTS CALLED NEW MISSION AND CURRENT MISSION. THE BUDGET LEVELS FOR NEW MISSION REQUIREMENTS PROVIDE FACILITIES WHICH SUPPORT DEPLOYMENTS OF WEAPONS SYSTEMS, FORCE STRUCTURE CHANGES, AND READINESS. THE FUNDING FOR THIS PART OF OUR MILITARY CONSTRUCTION PROGRAM IS ESSENTIAL TO MODERNIZING AND IMPROVING OUR WARFIGHTING MISSION. NEW MISSION PROJECTS CONSTITUTE 62 PERCENT OF THE FISCAL YEAR 1990 MILITARY CONSTRUCTION REQUEST AND 55 PERCENT OF THE 1991 REQUEST.

THE AIR FORCE'S TWO-YEAR REQUEST FOR NEW MISSION FUNDING CONTAINS PROJECTS THAT SUPPORT PEACEKEEPER - RAIL GARRISON, CONTINUATION OF CONSTRUCTION TO DEPLOY THE B-2 BOMBER AT WHITEMAN AFB, MISSOURI, AND THE SECOND AND THIRD PHASES OF CONSTRUCTION FOR THE LARGE ROCKET TEST FACILITY AT ARNOLD AIR FORCE BASE, TENNESSEE. FINALLY, WE CONTINUE CONSTRUCTION OF FACILITIES TO SUPPORT THE AIR FORCE SPECIAL OPERATIONS MISSION.

PEACEKEEPER - RAIL GARRISON

RAIL GARRISON PLACES MISSILES ON RAILCARS WHICH ARE KEPT ON ACTIVE AIR FORCE BASES IN PEACETIME. THE MISSILES WOULD DEPLOY OVER THE NATIONAL RAIL NETWORK DURING TIMES OF NATIONAL NEED.

IN FISCAL YEAR 1989, THE CONGRESS DENIED MILCON FUNDING PENDING APPROVAL OF DEPLOYMENT OF THE SYSTEM BY THE NEXT ADMINISTRATION AND THE CONGRESS. HOWEVER, THE CONGRESS DIRECTED THAT PLANNING FOR THE FISCAL YEAR 1989 PROJECTS SHOULD PROCEED AT A MODERATE PACE SO AS TO NOT EXCEED 35 PERCENT COMPLETION UNTIL THE NEW ADMINISTRATION AND CONGRESS HAVE APPROVED DEPLOYMENT OF THE SYSTEM.

THE REVISED FISCAL YEAR 1990 PROGRAM INCLUDES $117 MILLION FOR SUPPORTING CONSTRUCTION AT F.E. WARREN AIR FORCE BASE, WYOMING AND PLANNING AND DESIGN.

APPROVAL OF THE FISCAL YEAR 1990 REQUEST WILL RESERVE THE OPTION TO ACHIEVE AN INITIAL OPERATING CAPABILITY BY JUNE 1992 SHOULD THE CONGRESS AUTHORIZE DEPLOYMENT.

B-2 BOMBER

THE B-2 BOMBER WAS ANNOUNCED BY PRESIDENT REAGAN IN 1981 AS PART OF THE STRATEGIC MODERNIZATION PROGRAM. THE INITIAL OPERATIONAL CAPABILITY OF THE AIRCRAFT IS EXPECTED IN THE EARLY 1990s.

THE AIRCRAFT IS DESIGNED TO HAVE SUPERIOR SURVIVABILITY BECAUSE OF "LOW OBSERVABLE" STEALTH TECHNOLOGIES. IT HAS EXCEPTIONAL RANGE AND IS CAPABLE OF CARRYING BOTH NUCLEAR AND CONVENTIONAL WEAPONS. STEALTH TECHNOLOGY WILL ALLOW THE B-2 TO PENETRATE SOVIET DEFENSES INTO THE 21ST CENTURY.

IN JANUARY 1987, WHITEMAN AIR FORCE BASE, MISSOURI WAS ANNOUNCED AS THE FIRST OPERATIONAL LOCATION. FOLLOW-ON BASES WILL BE ANNOUNCED WITH THE SUBMISSION OF THE PRESIDENT'S BUDGET CONTAINING THE FIRST YEAR OF MILCON FUNDING FOR EACH LOCATION. THE DEPOT MAINTENANCE FOR THE B-2 WILL BE CONDUCTED AT TINKER AIR FORCE BASE, OKLAHOMA.

THE CONGRESS FULLY AUTHORIZED OUR FISCAL YEAR 1988 REQUEST OF $89.3 MILLION. FOR FISCAL YEAR 1989, THE CONGRESS AUTHORIZED $59.5 MILLION OF OUR $79.5 MILLION REQUEST. FOR FISCAL YEAR 1990, THE AIR FORCE IS REQUESTING AUTHORIZATION OF $100.5 MILLION FOR THE THIRD PHASE OF THE BEDDOWN AT WHITEMAN AIR FORCE BASE. FOR FISCAL YEAR 1991, OUR REQUEST AT WHITEMAN AIR FORCE BASE IS $116.5 MILLION. ADDITIONALLY, TO SUPPORT DEPOT MAINTENANCE AT TINKER AIR FORCE BASE, WE ARE REQUESTING AUTHORIZATION OF $31.8 MILLION IN FISCAL YEAR 1990 AND $23.3 MILLION FOR FISCAL YEAR 1991. THE TOTAL MILCON REQUIREMENT FOR B-2 INCLUDING DESIGN IN FISCAL YEAR 1990 IS $147.3 MILLION AND FOR FISCAL YEAR 1991 IS $167.7 MILLION.

THE REVISED BUDGET REQUEST FOR BOTH FISCAL YEAR 1990 AND 1991 DID NOT CHANGE THE TOTAL AUTHORIZATION REQUESTED, HOWEVER, THERE WAS A RESTRUCTURING OF PROJECTS REQUIRED TO SUPPORT INITIAL OPERATING CAPABILITY AT WHITEMAN AIR FORCE BASE. ONE LESS AIRCRAFT DOCK WILL BE REQUIRED. KEY SUPPORT FACILITIES FOR OUR AIRMEN ARRIVING IN 1991 AND 1992 HAVE BEEN INCLUDED IN THE REQUEST. FOR THE OUTYEARS, THE AIR FORCE WILL BE REVIEWING, IN DEPTH, THE MILCON REQUIREMENTS TO SUPPORT THE BEDDOWN OF THIS IMPORTANT STRATEGIC SYSTEM AND THIS REVIEW WILL QUITE LIKELY IMPACT SUBSEQUENT LEVELS OF MILITARY CONSTRUCTION INVESTMENT.

IN SHOULD BE CLEARLY UNDERSTOOD THAT THE MILCON REQUEST FOR WHITEMAN AIR FORCE BASE IS FOR INITIAL DELIVERY OF AIRCRAFT WHICH ARE STILL SCHEDULED TO ARRIVE AS PREVIOUSLY ANNOUNCED.

LARGE ROCKET TEST FACILITY (J-6)

ARNOLD AIR FORCE BASE, TENNESSEE HAS THE ONLY NATIONAL

CAPABILITY FOR TESTING ROCKET ENGINES AT SIMULATED ALTITUDES. THE EXISTING MAJOR ROCKET MOTOR TEST CELLS CALLED J-4 AND J-5 CANNOT SAFELY TEST LARGE, DETONATABLE SOLID-ROCKET MOTORS AT ALTITUDE. THE J-4 TEST CELL IS A LIQUID FUEL FACILITY THAT HAS BEEN MODIFIED FOR SOLID PROPELLANT TESTING. THE J-5 FACILITY IS A SOLID PROPELLANT TEST CELL THAT IS LIMITED TO 150,000 POUNDS OF THRUST. NEWER ROCKET MOTORS FOR SYSTEMS SUCH AS PEACEKEEPER REQUIRE THRUST CAPABILITIES UP TO 350,000 POUNDS. FUTURE GENERATIONS OF MOTORS WILL REQUIRE TESTING AT EVEN HIGHER THRUSTS. THE J-6 TEST CELL WILL PROVIDE THE CAPABILITY TO SAFELY TEST HIGHLY VOLATILE NEW PROPELLANTS AT THRUST OF 500,000 POUNDS AT AN ALTITUDE OF 100,000 FEET.

FOR FISCAL YEAR 1989, THE CONGRESS AUTHORIZED THE TOTAL COST OF THE PROJECT IN THE AMOUNT OF $183 MILLION WHILE AUTHORIZING FOR APPROPRIATION $50 MILLION TO BEGIN THE CONSTRUCTION PROGRAM WHICH STRETCHES OVER THREE YEARS. THE AIR FORCE IS REQUESTING AUTHORIZATION FOR APPROPRIATION FOR FISCAL YEAR 1990 IN THE AMOUNT OF $66 MILLION AND FOR FISCAL YEAR 1991 IS $66.3 MILLION. THE FISCAL YEAR 1991 AUTHORIZATION FOR APPROPRIATION REQUEST WILL ALLOW ~~US~~ TO COMPLETE THE PROJECT.

TITAN IV LAUNCH FACILITIES

CAPE CANAVERAL AIR FORCE STATION - THE CURRENT SOLID MOTOR ASSEMBLY BUILDING (SMAB) CANNOT PROCESS THE NEW SOLID ROCKET MOTOR UPGRADE (SRMU) DUE TO WEIGHT AND HEIGHT CONSTRAINTS. ADDITIONALLY, THIS FACILITY, WHICH WAS BUILT IN THE MID-1960s, IS TOO SHORT TO HANDLE THE PRESENT SEVEN-SEGMENT SOLID ROCKET MOTORS OF THE TITAN IV MISSILES. THEREFORE, A NEW SOLID ROCKET MOTOR ASSEMBLY BUILDING (SRMAB)

IS REQUIRED TO PROCESS AND STACK THE SOLID ROCKET MOTOR SEGMENTS ON THE TITAN IV LAUNCH VEHICLE AS WELL AS ACCOMMODATE THE NEW SOLID ROCKET MOTOR UPGRADE.

FOR FISCAL YEAR 1990, THE AIR FORCE IS REQUESTING $89 MILLION FOR THE CONSTRUCTION OF THIS NEW ASSEMBLY BUILDING IN SUPPORT OF A SCHEDULED 1992 TITAN IV LAUNCH.

VANDENBERG AIR FORCE BASE - THE AIR FORCE WAS SEEKING AUTHORIZATION TO CONSTRUCT A SECOND LAUNCH COMPLEX THAT WOULD HAVE PROVIDED A TWO-PAD CAPABILITY FOR THE TITAN IV, GIVING US THE ABILITY TO LAUNCH THE TITAN IV WITH THE CENTAUR UPPER STAGE. TO SUPPORT THIS REQUIREMENT, WE WERE REQUESTING AUTHORIZATION OF $17 MILLION IN FISCAL YEAR 1990 TO BEGIN PHASE ONE OF A FOUR PHASE CONSTRUCTION PROGRAM. FOR FISCAL YEAR 1991, WE WERE REQUESTING $48 MILLION FOR PHASE TWO OF THE CONSTRUCTION PROGRAM. COMPLETION OF THE FINAL TWO PHASES WAS ESTIMATED TO COST $40 MILLION.

OUR NATIONAL PROGRAMS STILL DRIVE A NEED FOR TWO LAUNCH PADS ON THE WEST COAST. HOWEVER, DUE TO BUDGET CONSTRAINTS, WE HAVE MOVED THE INITIAL LAUNCH CAPABILITY FOR THIS SECOND PAD TO FISCAL YEAR 1996 AND HAVE DEFERRED THE MILCON FACILITY REQUIREMENT FOR TWO YEARS. THEREFORE, OUR REVISED REQUEST DOES NOT INCLUDE CONSTRUCTION FOR ANY FACILITIES AT VANDENBERG AIR FORCE BASE IN FISCAL YEAR 1990 AND 1991.

SPECIAL OPERATIONS FORCES

THE SPECIAL OPERATIONS FORCES SUPPORT THE REQUIREMENTS OF THE UNIFIED COMMANDS IN SUCH AREAS AS CONVENTIONAL AND UNCONVENTIONAL WARFARE, CRISIS RESPONSE, AND COUNTERTERRORISM.

FOR FISCAL YEAR 1989 THE CONGRESS AUTHORIZED $27.4

MILLION AT EGLIN AUXILIARY FIELD 9, FLORIDA AND $7 MILLION AT CLARK AIR BASE, THE PHILIPPINES.

THE FISCAL YEAR 1990 AUTHORIZATION REQUEST TOTALS $38.5 MILLION AT THREE LOCATIONS. OF THAT TOTAL, $21.9 MILLION IS AT EGLIN AUXILIARY FIELD 9; $13.4 MILLION IS AT KIRTLAND AIR FORCE BASE, NEW MEXICO AND $3.2 MILLION AT CLARK AIR BASE. THE FISCAL YEAR 1991 REQUEST OF $11.25 MILLION IS FOR OPERATIONS AND SUPPORT FACILITIES AT EGLIN AUXILIARY FIELD 9.

401ST TACTICAL FIGHTER WING (TFW) RELOCATION

THE NEW SPANISH BASING AGREEMENT REQUIRES THE 401ST TACTICAL FIGHTER WING TO RELOCATE FROM TORREJON AIR BASE, SPAIN. THE ITALIAN GOVERNMENT HAS AGREED TO HOST THE 401ST TACTICAL FIGHTER WING AT CROTONE, ITALY.

THE CONGRESS HAS REQUIRED THAT CONSTRUCTION OF NEW FACILITIES TO SUPPORT THIS RELOCATION BE THE RESPONSIBILITY OF NATO AND THAT U.S. MILITARY CONSTRUCTION RESOURCES NOT BE USED TO FUND CONSTRUCTION OF ANY FACILITIES IN SUPPORT OF THE 401ST RELOCATION.

DURING THE MAY 1988 NATO MINISTERIAL DEFENSE PLANNING COMMITTEE ATTENDED BY THEN SECRETARY OF DEFENSE CARLUCCI, NATO AGREED TO FUND NEW FACILITY CONSTRUCTION FOR RELOCATING THE 401ST TFW WITH THE EXCEPTION OF RECREATIONAL FACILITIES WHICH WOULD BE THE RESPONSIBILITY OF THE UNITED STATES. ADDITIONALLY, IT WAS AGREED THAT NATO WOULD PROVIDE THE FUNDS UP FRONT TO CONSTRUCT THE FAMILY HOUSING TO U.S. STANDARDS. THE UNITED STATES WOULD REIMBURSE NATO, INTEREST AND INFLATION FREE, OVER ABOUT A TEN-YEAR PERIOD AT WHICH TIME THE HOUSING REVERTS TO A RENT FREE STATUS.

THE FISCAL YEAR 1990 AUTHORIZATION REQUEST OF $15.4 MILLION INCLUDES $8.4 MILLION FOR COMMUNITY SUPPORT FACILITIES AND $7 MILLION FOR THE U.S. SHARE OF A JOINT U.S./ITALIAN

AIR-TO-GROUND WEAPONS TRAINING RANGE. AUTHORIZATION AND APPROPRIATIONS ARE REQUIRED SINCE RANGES ARE NOT NATO ELIGIBLE.

THE FISCAL YEAR 1991 AUTHORIZATION REQUEST OF $5.85 MILLION SUPPORTS CONSTRUCTION OF ADDITIONAL RECREATIONAL FACILITIES THAT THE SECRETARY OF DEFENSE AGREED TO PROVIDE IN THE HIS MEETING WITH NATO MINISTERS.

CURRENT MISSION MILCON

NONE OF THE PROJECTS OR PROGRAMS I HAVE MENTIONED THUS FAR IN MY STATEMENT SATISFIES THE NEED TO CARE FOR THE EXISTING AIR FORCE PHYSICAL PLANT. PART TWO, OF OUR MILCON PROGRAM, IS CALLED CURRENT MISSION WHICH REVITALIZES THE EXISTING FACILITY INFRASTRUCTURE.

BEYOND THE WARFIGHTING, MODERNIZATION AND IMPROVEMENT RELATED MILCON REQUIREMENTS MENTIONED EARLIER, WE HAVE FACILITY REQUIREMENTS WHICH MAKE ESSENTIAL CONTRIBUTIONS IN ATTRACTING, RETAINING, AND MOTIVATING AIR FORCE PEOPLE. MOREOVER, THIS CONSTRUCTION CONTRIBUTES GREATLY TO OUR PEOPLE'S PRODUCTIVITY AND ALLOWS US TO SUSTAIN OUR COMMITMENT TO A QUALITY FORCE. THE CURRENT MISSION SHARE OF OUR MILCON, ALONG WITH THE FAMILY HOUSING PROGRAM ARE FUNDAMENTAL COMPONENTS OF A MODERN, EFFECTIVE, HIGH-QUALITY AIR FORCE.

THE DEPARTMENT OF DEFENSE IS ON RECORD AS CONCLUDING THAT THERE IS A STRONG RELATIONSHIP BETWEEN THE QUALITY OF OUR FACILITIES AND RETENTION OF OUR PEOPLE. THE CURRENT MISSION PART OF OUR MILCON PROGRAM ADDRESSES THE REVITALIZATION OF THE WORKING AND LIVING ENVIRONMENT OF OUR PEOPLE. UNFORTUNATELY, CONTINUING BUDGET CONSTRAINTS AND THE UNQUESTIONED NEED TO MODERNIZE OUR STRATEGIC FORCES ARE PUSHING US FARTHER AWAY FROM ESTABLISHING EVEN A MODEST TREND OF REVITALIZING OUR EXISTING FACILITIES. IN FACT, AT TODAY'S INVESTMENT RATE, IT WILL TAKE APPROXIMATELY 200 YEARS TO REVITALIZE OUR ENTIRE

PHYSICAL PLANT.

I AM NOT THE FIRST DIRECTOR OF AIR FORCE ENGINEERING AND SERVICES THAT HAS SPOKEN OUT ON THE NEED TO REVITALIZE OUR EXISTING INFRASTRUCTURE. I FULLY RECOGNIZE THAT ALL OUR FACILITY REQUIREMENTS CANNOT BE MET DUE IN PART TO THE CONSTRAINED BUDGET ENVIRONMENT AND THE FUNDAMENTAL NEED TO FUND CONSTRUCTION THAT SUPPORTS BEDDOWN OF AIR FORCE WEAPONS SYSTEMS AND NATIONAL PROGRAMS. HOWEVER, OUR LEVEL OF INVESTMENT IN REVITALIZATION HAS FALLEN TO A LEVEL LOWER THAN OUR PLANT INVESTMENT LEVEL OF FISCAL YEAR 1983. SHOULD CONGRESS FULLY AUTHORIZE OUR CURRENT MISSION REQUEST, WE WILL BE ON A REVITALIZATION CYCLE OF APPROXIMATELY 200 YEARS.

OUR CURRENT MISSION FUNDING LEVEL FOR THE REVISED FISCAL YEAR 1990 REQUEST IS $519 MILLION, A DECREASE OF $10 MILLION FOR JANUARY LEVELS. FOR FISCAL YEAR 1991 OUR REQUEST IS $728 MILLION. THIS IS AN INCREASE OF $132 MILLION OVER OUR ORIGINAL SUBMISSION. WE WERE ABLE TO ACCOMPLISH THIS DUE IN PART TO THE ADJUSTMENTS IN WEAPON SYSTEMS PROCUREMENT. TWO VERY IMPORTANT INITIATIVES WITHIN OUR CURRENT MISSION PROGRAM ARE OUR EFFORTS TO REVITALIZE LACKLAND AIR FORCE BASE, TEXAS AND SHEMYA AIR FORCE BASE, ALASKA.

LACKLAND AIR FORCE BASE, TEXAS

LACKLAND AIR FORCE BASE REPRESENTS THE "GATEWAY TO THE AIR FORCE" AND PROVIDES A LASTING IMPRESSION OF THE AIR FORCE FOR NEW MILITARY MEMBERS AND FOREIGN STUDENTS AS WELL. A FIVE-YEAR PROGRAM HAS BEEN ESTABLISHED TO REVITALIZE THE PHYSICAL PLANT. THE PROGRAM FOCUSES ON SOLVING INFRASTRUCTURE PROBLEMS AND REPLACING WORLD WAR II BUILDINGS.

FOR FISCAL YEAR 1990, THE AIR FORCE IS REQUESTING $19.5

MILLION AS THE INITIAL PHASE OF THIS REVITALIZATION PROGRAM. INCLUDED IN THIS AMOUNT IS $4.50 MILLION FOR A SECURITY POLICE TRAINING FACILITY, $8 MILLION FOR A NEW LOGISTICS COMPLEX, $3.20 MILLION FOR ADDITIONAL WATER STORAGE AND DISTRIBUTION SYSTEM, AND $3.80 MILLION TO UPGRADE THE BASE ELECTRICAL DISTRIBUTION SYSTEM.

FOR FISCAL YEAR 1991, THE AIR FORCE IS REQUESTING $22.50 MILLION FOR A DINING FACILITY, FIRE STATION, BASE ENGINEER COMPLEX, BASE ROADS, AND AN UPGRADE TO THE SEWER SYSTEM.

SHEMYA AIR FORCE BASE, ALASKA

SHEMYA AIR FORCE BASE IS STRATEGICALLY LOCATED AT THE END OF THE ALEUTIAN CHAIN AND IS THE PREDOMINANT SITE FOR MONITORING SOVIET ACTIVITIES DUE TO ITS PROXIMITY TO THE SOVIET UNION. THE LARGE INVESTMENT IN INFORMATION GATHERING SYSTEMS MUST BE SUPPORTED WITH AN ADEQUATE FACILITY INFRASTRUCTURE.

TO STAY ABREAST OF SOVIET ACTIVITY, A LARGE INVESTMENT HAS BEEN MADE IN SYSTEMS MODERNIZATION AT SHEMYA AIR FORCE BASE. FACILITY REPLACEMENT/REVITALIZATION HAS NOT KEPT PACE. APPROXIMATELY THIRTY PERCENT OF THE FACILITIES ARE WOOD FRAME, CONSTRUCTED DURING WORLD WAR II, AND ALMOST SIXTY PERCENT ARE MORE THAN TWENTY YEARS OLD. MANY ARE SO DETERIORATED THAT THEY ARE UNECONOMICAL TO REPAIR AND MUST BE REPLACED. THE EXTREME COLD WEATHER CONDITIONS AS WELL AS THE HIGH WINDS, RAIN AND CORROSIVE SALT WATER ENVIRONMENT HAVE DRASTICALLY REDUCED THE NORMAL LIFE EXPECTANCY OF THE FACILITIES AT SHEMYA AIR FORCE BASE.

OVER THE PREVIOUS FIFTEEN YEARS THERE HAS BEEN ONLY MINIMAL CONSTRUCTION AT SHEMYA AIR FORCE BASE. DURING, THE LAST TWO YEARS, CONGRESS HAS AUTHORIZED $53.30 MILLION FOR CONSTRUCTION.

BUT WITH A HIGH CONSTRUCTION AREA COST FACTOR (3.5) IT WILL TAKE FIVE YEARS TO BRING SHEMYA'S MAJOR FACILITY PROBLEMS UNDER CONTROL. OUR PLAN FOR THE FUTURE IS TO FOCUS ON REVITALIZING THE INFRASTRUCTURE THROUGH A SIGNIFICANT CAPITAL INVESTMENT. A SIGNIFICANT NUMBER OF MODERNIZATION PROJECTS OVER A SHORT PERIOD OF TIME WILL REDUCE CONSTRUCTION MOBILIZATION COSTS, IMPROVE PROJECT EXECUTION, AND PROVIDE QUALITY FACILITIES AT LESS COST TO THE TAXPAYER.

FOR FISCAL YEAR 1990, THE AIR FORCE IS REQUESTING $22.70 MILLION AND FOR FISCAL YEAR 1991, WE ARE REQUESTING $48.20 MILLION. WE PLAN TO COMPLETE THIS PROGRAM IN FISCAL YEAR 1992.

OUR REAL PROPERTY MAINTENANCE (RPM) PROGRAM, WHICH IS AUTHORIZED IN THE DEFENSE AUTHORIZATION REQUEST, COMPLEMENTS CURRENT MISSION MILCON. RPM IS NOT ONLY VITAL TO "KEEPING THE DOORS TO OUR BASES OPEN," IT ALSO ENABLES US TO EXTEND THE LIFE OF FACILITIES. WE CAN AVOID PROBLEMS LIKE THOSE AT LACKLAND AND SHEMYA WITH PROPER FUNDING AND BALANCED SPENDING. WITH THE FISCAL YEAR 1988 BUDGET SUMMIT AGREEMENT REDUCING O&M BY $1.7 BILLION, RPM FUNDING WAS SCALED BACK, PROVIDING LESS BUYING POWER THAN WE HAD IN FISCAL YEAR 1981. THE FISCAL 1989 AND 1990 BUDGETS CONTINUE THE DOWNWARD SPIRAL. FACILITY BACKLOGS WILL INCREASE SHARPLY AND INFRASTRUCTURE PROBLEMS WILL ACCRUE. OUR COMMANDERS WILL STRIVE TO STRIKE A BALANCE BETWEEN PEOPLE AND MISSION FACILITY PROJECTS AS THEY APPORTION THE LIMITED DOLLARS TO THE HIGHEST PRIORITY REQUIREMENTS.

ON A POSITIVE NOTE, WE HAVE FOR THE FIRST TIME SPECIFICALLY EARMARKED O&M FUNDS FOR NON-DERA ENVIRONMENTAL COMPLIANCE NEEDS. WE PLAN TO BE PROACTIVE IN OUR APPROACH TO MEETING NEW ENVIRONMENTAL GUIDELINES. WE HAVE MADE FUNDS AVAILABLE FOR OUR COMMANDERS TO DO SO.

MILITARY FAMILY HOUSING OVERVIEW

MR. CHAIRMAN, I HAVE SAVED FOR LAST THE DISCUSSION ON FAMILY HOUSING WHICH IS THE OTHER MAJOR SECTION OF OUR MILITARY CONSTRUCTION SUBMITTAL. THE AIR FORCE CONSIDERS THE MILITARY FAMILY HOUSING PROGRAM ITS NUMBER ONE FACILITY INVESTMENT PRIORITY.

CARING FOR THE HOUSING NEEDS OF OUR AIR FORCE FAMILIES RANKS AT THE TOP OF OUR QUALITY OF LIFE OBJECTIVES. THERE ARE OVER 379,000 FAMILIES IN THE AIR FORCE. THEY ALL NEED HOUSING. WE CONTINUE TO RELY ON THE LOCAL COMMUNITY AS OUR FIRST SOURCE. IN THOSE INSTANCES WHERE THE LOCAL COMMUNITY CANNOT MEET OUR NEEDS, WE PROVIDE GOVERNMENT HOUSING. APPROXIMATELY 145,000 FAMILIES, OR JUST UNDER 40 PERCENT, LIVE IN AIR FORCE OWNED OR LEASED UNITS. THE BALANCE OF THE FAMILIES LIVE IN THE COMMUNITIES SURROUNDING OUR INSTALLATIONS.

THE REQUIREMENT FOR ADEQUATE FAMILY HOUSING HAS NEVER BEEN GREATER. OVER THREE FOURTHS OF OUR HOUSING OCCUPANTS ARE THE FAMILIES OF JUNIOR SERGEANTS AND JUNIOR OFFICERS. THESE YOUNG SERVICE MEMBERS HAVE JUST REACHED THE POINT IN THEIR CAREERS WHERE THEY ARE FULLY TRAINED TO PERFORM IN THEIR CHOSEN SPECIALTIES. WE RECRUITED THESE READINESS TRAINED SKILLED AIRCRAFT TECHNICIANS AND AIRCREW MEMBERS, BUT IT WILL BE A FAMILY DECISION TO STAY. THE QUALITY OF THE HOMES AND NEIGHBORHOODS WHERE THESE FAMILIES LIVE, WHETHER IN THE LOCAL COMMUNITY OR ON BASE, STRONGLY INFLUENCES THIS IMPORTANT CAREER DECISION.

WE MUST PROVIDE CONTEMPORARY HOUSING FOR OUR FAMILIES IF WE ARE TO RETAIN OUR SKILLED FORCE. WE CANNOT AFFORD TO PAY THE HIGHER TRAINING BILLS FOR REPLACEMENTS NOR THE REDUCED READINESS CAUSED BY YOUNG FAMILIES DECIDING TO LEAVE THE AIR

FORCE TO FIND A BETTER FAMILY LIFE IN THE PRIVATE SECTOR.

THE REVISED MILITARY FAMILY HOUSING AUTHORIZATION REQUEST TOTALS $1.016 BILLION IN FISCAL YEAR 1990 AND $1.103 BILLION IN FISCAL YEAR 1991. OF THE AMOUNT IN FISCAL YEAR 1990, $241 MILLION IS FOR NEW CONSTRUCTION, IMPROVEMENTS, AND PLANNING AND DESIGN; $673 MILLION IS FOR OPERATIONS, UTILITIES, AND MAINTENANCE; AND $102 MILLION IS REQUIRED TO PAY LEASING COSTS. FOR FISCAL YEAR 1991, $268 MILLION IS FOR NEW CONSTRUCTION, IMPROVEMENTS, AND PLANNING AND DESIGN; $696 MILLION IS FOR OPERATIONS, UTILITIES, AND MAINTENANCE; AND $139 MILLION IS FOR LEASING.

THIS BALANCED PROGRAM IS DEDICATED TO PROVIDING ADDITIONAL HOUSING UNITS TO MEET NEW MISSION REQUIREMENTS, SATISFYING CURRENT DEFICIENCIES, PROVIDING IMPROVEMENTS TO EXISTING UNITS, AND KEEPING PACE WITH THE DEFERRED MAINTENANCE AND REPAIR NEEDED TO KEEP OUR 30-YEAR OLD INVENTORY AT ADEQUATE STANDARDS WITHIN THE CONSTRAINTS OF THE AUSTERE AIR FORCE BUDGET.

NEW CONSTRUCTION

IN SOME CASES, AVAILABLE OFF-BASE HOUSING IS INADEQUATE TO MEET THE NEEDS OF AIR FORCE FAMILIES. THE ANNUAL HOUSING SURVEY REVEALS A PROJECTED NET DEFICIT, WORLDWIDE, OF 36,000 UNITS. THIS MEANS THAT MANY AIR FORCE FAMILIES LIVING ON THE LOCAL ECONOMY ARE NOT ADEQUATELY HOUSED DUE TO SUBSTANDARD CONDITIONS, DISTANCE OR COST. ONE OF OUR APPROACHES TO SOLVING THIS PROBLEM IS THROUGH NEW CONSTRUCTION.

OUR FISCAL YEAR 1990 AUTHORIZATION REQUEST IS FOR $60 MILLION AND OUR 1991 REQUEST IS FOR $67 MILLION. FISCAL YEAR 1990 INCLUDES 200 HOUSING UNITS TO BE CONSTRUCTED AT RAMSTEIN

AIR BASE, GERMANY WHERE THE NEED FOR ADDITIONAL HOUSING IS CRITICAL. FISCAL YEAR 1991 INCLUDES 300 UNITS AT EGLIN AUXILIARY FIELD 9, FLORIDA WHICH IS NEEDED TO SUPPORT THE SPECIAL OPERATIONS FORCES. IN ADDITION, THERE ARE PROJECTS IN BOTH YEARS FOR 450 UNITS AT CLARK AIR BASE, REPUBLIC OF THE PHILIPPINES, TO SOLVE ONE OF OUR GREATEST HOUSING DEFICIENCIES FOR AIR FORCE FAMILIES. OFF BASE LIVING CONDITIONS IN THE PHILIPPINES ARE INADEQUATE DUE TO LACK OF SECURITY, HIGH RATE OF THEFT, NON-POTABLE WATER, INADEQUATE FIRE PROTECTION, AND FREQUENT POWER OUTAGES. THESE PROJECTS SUPPORT MOVING FAMILIES FROM INADEQUATE OFF BASE QUARTERS TO ADEQUATE QUARTERS ON BASE AND ARE NOT A RESULT OF ANY INCREASE OF ACCOMPANIED TOURS. ALSO, IN BOTH YEARS, SEVERAL HOUSING MANAGEMENT OFFICES AND MAINTENANCE/SUPPLY FACILITIES PROJECTS ARE REQUESTED TO SUPPORT THE MANAGEMENT AND MAINTENANCE ACTIVITIES REQUIRED FOR OUR HOUSING COMMUNITIES.

IMPROVEMENTS

OUR INVENTORY OF 138,000 AIR FORCE OWNED UNITS IS NOW OVER 30 YEARS OLD. ABOUT 80,000 OF THESE UNITS DO NOT MEET TODAY'S FUNCTIONAL AND ARCHITECTURAL STANDARDS. MOREOVER, THEY ARE SEVERELY IN NEED OF MAJOR REPAIR. TO MEET OUR REQUIREMENTS AS LANDLORDS AND THE EXPECTATIONS OF OUR OCCUPANTS, "WHOLE HOUSE" AND WHOLE NEIGHBORHOOD REVITALIZATION IS PAST DUE.

IMPROVING THESE 80,000 FAMILY HOUSING UNITS IS THE TOP FACILITY PRIORITY OF THE AIR FORCE. FISCAL YEARS 1990 AND 1991 APPROPRIATIONS REQUESTS EACH PROVIDE A SEVEN PERCENT REAL GROWTH IN FUNDING TO ACCELERATE THIS REVITALIZATION WORK. AT PAST LEVELS OF FUNDING, IT WOULD HAVE TAKEN OVER 25 YEARS TO

COMPLETE THIS REVITALIZATION EFFORT. THE 1990 AND 1991 REQUESTS MOVE THE TIME LINE TO 22 YEARS. WE WILL MAINTAIN THE INTENSITY OF THIS EFFORT AND CONTINUE OUR SEARCH FOR WAYS TO REDUCE THE TIME REQUIRED TO UPGRADE ALL 80,000 UNITS IN 10 YEARS.

OUR WHOLE HOUSE REVITALIZATION PROGRAM UPDATES WORN OUT BATHROOMS AND KITCHENS, REPLACES OBSOLETE UTILITY AND STRUCTURAL SYSTEMS, PROVIDES ADDITIONAL LIVING SPACE, AND BRINGS THE UNITS UP TO COMPARABLE PRIVATE-SECTOR STANDARDS WITHIN THE SQUARE FOOT LIMITATIONS AUTHORIZED IN LAW. OUR FISCAL YEAR 1990 REVISED AUTHORIZATION REQUEST SEEKS $173 MILLION IN IMPROVEMENT PROJECTS AND FOR FISCAL YEAR 1991 WE ARE REQUESTING $193 MILLION.

WE ARE CONFIDENT WE CAN MANAGE THIS LARGER PROJECT WORKLOAD. OUR OBLIGATION RATE OF THE FISCAL YEAR 1988 REVITALIZATION FUNDS IN THE YEAR APPROPRIATED HAVE BEEN THE BEST EVER, NEARING 100 PERCENT. WE ARE COMMITTED TO PROVIDING QUALITY HOUSING FOR A QUALITY FORCE.

OPERATIONS, UTILITIES, AND MAINTENANCE

THE REVISED FISCAL YEAR 1990 REQUEST FOR OPERATIONS, UTILITIES, AND MAINTENANCE FUNDING IS $673 MILLION AND OUR FISCAL YEAR 1991 IS $696 MILLION. THIS REQUEST SUPPORTS OUR OBLIGATIONS IN THE MUST PAY UTILITIES AND OPERATIONS ACCOUNTS AS WELL AS THE MAINTENANCE OF OUR EXISTING HOUSING INVENTORY AT OVER 150 INSTALLATIONS. THESE 138,000 UNITS HAVE A REPLACEMENT VALUE OF WELL OVER $11 BILLION. WHILE OUR WHOLE HOUSE REVITALIZATION PROGRAM WILL BREATHE NEW LIFE INTO MANY OF THESE HOUSES, MAINTENANCE AND REPAIR OF THE UNITS ARE NEEDED TO KEEP THE "DOORS OPEN" AND PROTECT OUR PAST

INVESTMENT.

THIS ACCOUNT ALSO SUPPORTS OUR QUARTERS CLEANING PROGRAM WHICH WE BELIEVE IS ONE OF THE BEST QUALITY OF LIFE IMPROVEMENTS THAT THE DEPARTMENT OF DEFENSE HAS IMPLEMENTED. THE FEEDBACK WE HAVE RECEIVED FROM SENIOR AIR FORCE COMMANDERS, WING COMMANDERS, AND SENIOR ENLISTED ADVISORS IS THAT FEW CHANGES OCCURRING DURING THE 1980'S IN SUPPORT OF THE LINE OF THE AIR FORCE HAVE BEEN SO SIGNIFICANT AS THE QUARTERS CLEANING PROGRAM. THIS PROGRAM ELIMINATES AN ENORMOUS IRRITANT TO THE FREQUENTLY MOVING MILITARY FAMILY. AIR FORCE MEMBERS STILL PERFORM QUARTERS CLEANING TO A "BROOM CLEAN" STANDARD AS IS DONE IN THE CIVILIAN SECTOR, HOWEVER, THIS PROGRAM ELIMINATES THE UNNECESSARY HARASSMENT OF "WHITE GLOVE" INSPECTIONS DURING AN ALREADY EMOTIONAL FILLED PERIOD OF FAMILY UPROOTING.

LEASING

THE FISCAL YEAR 1990 REVISED AUTHORIZATION REQUEST FOR LEASING IS $108 MILLION AND FOR FISCAL YEAR 1991 IS $139 MILLION. THIS REQUEST IS FOR BOTH THE DOMESTIC AND OVERSEAS UNITS. WE ANTICIPATE COMPLETING CONSTRUCTION FOR ALL THE UNITS AUTHORIZED BY CONGRESS IN PRIOR YEARS FOR SECTION 801 AND OVERSEAS BUILD-LEASE. WE ARE REQUESTING AUTHORIZATION FROM THE CONGRESSIONAL ARMED SERVICES COMMITTEES FOR 1,500 ADDITIONAL SECTION 801 AUTHORIZATIONS IN THIS TWO YEAR BUDGET SUBMITTAL. ONLY AUTHORIZATION FOR THESE 1,500 UNITS IS BEING REQUESTED SINCE APPROPRIATIONS WILL NOT BE REQUIRED UNTIL THE UNITS ARE COMPLETED. WE ANTICIPATE FUNDS WILL NOT BE REQUIRED FOR THESE UNITS UNTIL 1992.

THE SECTION 801 BUILD LEASE PROGRAM HAS ALLOWED US TO

ACQUIRE NEW HOUSING UNITS FOR OUR FAMILIES. WE HAVE 300 UNITS AT EIELSON AIR FORCE BASE, ALASKA; 163 UNITS AT HANSCOM AIR FORCE BASE, MASSACHUSETTS; 200 UNITS AT GOODFELLOW AIR FORCE BASE, TEXAS; AND 200 UNITS AT MARCH AIR FORCE BASE, CALIFORNIA. WE ALSO EXPECT TO AWARD PROJECTS THIS YEAR AT A THE FOLLOWING AIR FORCE BASES: EGLIN FIELD 9, WHITEMAN, TRAVIS, ELLSWORTH, AND CASTLE.

THE AIR FORCE HAS NOT BEEN SUCCESSFUL IN AWARDING A SECTION 802, CONUS RENTAL GUARANTEE HOUSING PROJECT. WE HAVE BEEN STYMIED BY LOW ENTREPRENEUR INTEREST DRIVEN BY UNFAVORABLE FINANCING. WE ARE ATTEMPTING TO USE 10 U.S.C. SECTION 2667 LAND OUTLEASE AUTHORITY TO THIRD PARTY FINANCE HOUSING UNITS AT TWO INSTALLATIONS. WE CONTINUE TO FOSTER PRIVATIZATION WHERE THERE IS A POTENTIAL FOR COST EFFECTIVE SOLUTIONS TO OUR HOUSING NEEDS.

A TOTAL OF 9,201 FOREIGN LEASES ARE REQUESTED FOR OVERSEAS LOCATIONS. OUR OVERSEAS LEASING PROGRAM IS KEY TO SATISFYING OUR FOREIGN HOUSING REQUIREMENTS. WHILE NO NEW AUTHORIZATIONS ARE REQUESTED ABOVE LAST YEAR'S LEVEL, WE ARE REQUESTING ADDITIONAL APPROPRIATIONS TO ACCOMMODATE THE COMPLETION OF NEW UNITS PREVIOUSLY AUTHORIZED.

CONCLUSION

MR. CHAIRMAN, THE MISSION OF THE UNITED STATES AIR FORCE IS TO DETER AGGRESSION AND, IF NECESSARY, DEFEAT AGGRESSORS IN CONFLICT. WITH THE SUPPORT OF THE CONGRESS TODAY'S AIR FORCE IS BETTER PREPARED THAN ANY TIME IN HISTORY. OUR REVISED FISCAL YEAR 1990 AND 1991 AUTHORIZATION REQUESTS PROVIDE FACILITY SUPPORT FOR THOSE WEAPONS SYSTEMS THAT ADD TO OUR NATIONAL WARFIGHTING CAPABILITY WHILE WE CONTINUE TO INVEST IN

THE WORKING AND LIVING ENVIRONMENTS OF OUR PEOPLE.

MR. CHAIRMAN, OUR GREATEST FACILITY NEED IS FAMILY HOUSING AND, WE BELIEVE, THAT OUR REQUESTS REFLECT OUR COMMITMENT TO FAMILY HOUSING EXCELLENCE. THERE ARE TOO MANY AIR FORCE FAMILIES LIVING IN INADEQUATE HOUSING AND OUR OBJECTIVE IS TO PROVIDE OUR FAMILIES THE SAME LIVING STANDARDS FOUND IN THE LOCAL COMMUNITY.

THE AIR FORCE FULLY RECOGNIZES THE IMPORTANCE OF INVESTING IN FACILITIES. WE MUST TREAT OUR PROFESSIONALS AS PROFESSIONALS AND PROVIDE THEM QUALITY LIVING AND WORKING ENVIRONMENTS. IF WE DO NOT PROVIDE FOR THE MEN AND WOMEN RESPONSIBLE FOR THE HIGH-TECH WEAPONS SYSTEMS, THEN WE ARE SHORTCHANGING NOT ONLY THEM BUT THE AMERICAN PEOPLE WHO ARE DEPENDING ON OUR HIGHLY-TRAINED FORCE.

I KNOW THAT THE AIR FORCE LEADERSHIP AND THIS COMMITTEE RECOGNIZE THE IMPORTANCE THAT QUALITY FACILITIES PLAY IN RETAINING AND MAINTAINING A QUALITY FORCE ABLE TO CARRY OUT ITS MISSION OF DEFENDING THIS GREAT NATION. WE MUST PROVIDE A QUALITY LIFE FOR OUR PEOPLE, RECOGNIZING THAT MANY OF OUR YOUNG ENLISTED AIRMEN AND JUNIOR OFFICERS ARE AT THE POINT IN THEIR CAREER WHERE THEY WILL DECIDE TO LEAVE OR CONTINUE WITH THE AIR FORCE. THE QUALITY OF THE FACILITIES THAT THEY WORK IN AND THE HOUSING THAT THEY LIVE IN WILL HAVE A SIGNIFICANT IMPACT ON THEIR DECISION. WITH THE HELP OF THIS COMMITTEE AND THE CONGRESS IT IS OUR HOPE THAT WE CAN CONTINUE TO WORK TOGETHER TO CORRECT OUR FACILITY SHORTFALLS; THEREBY, MAINTAINING A HIGH QUALITY FORCE.

MR. CHAIRMAN, I AM HONORED TO BE ABLE TO APPEAR BEFORE YOU TODAY AND TO REPRESENT THE UNITED STATES AIR FORCE. I AM PREPARED TO ANSWER YOUR QUESTIONS.

Senator DIXON. Thank you very much, General. General Downs.

STATEMENT OF BRIG. GEN. MICHAEL P. DOWNS, DIRECTOR, U.S. MARINE CORPS, DIRECTOR, FACILITIES AND SERVICES DIVISION

General DOWNS. Good afternoon, Mr. Chairman. Thank you for this opportunity to discuss the Marine Corps military construction, family housing and maintenance of real property programs.

The levels of funding for these programs during the 1980s have led to unprecedented improvement in the condition of our facilities, with the greatest advancement being in the category of quality of life. Unfortunately with the severe budget constraints we face, that upward trend cannot continue. Our fiscal years 1990 and 1991 budgets before you do, however, provide balanced programs which we believe represent what is essential to support Marine Corps missions.

Our programs are the result of a careful, well-reasoned and thorough decision process based on our best judgment and operational experience. While being consistent with fiscal realities, they place high priority on readiness and sustainability of our forces, ensure timely support for fielding new weapons systems and continue our commitment to improve the quality of life for our marines and their families.

Favorable consideration of this request will sustain the efforts of the Congress and the Marine Corps to provide modernized facilities, enabling us to attract and retain quality marines and maintain a high level of operational readiness and war-fighting capability.

Thank you, sir.

[The prepared statement of Brigadier General Downs follows:]

STATEMENT OF
BRIGADIER GENERAL MICHAEL P. DOWNS
UNITED STATES MARINE CORPS
DIRECTOR, FACILITIES AND SERVICES DIVISION
OFFICE OF THE DEPUTY CHIEF OF STAFF
(INSTALLATIONS AND LOGISTICS)

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

I AM BRIGADIER GENERAL MICHAEL P. DOWNS, DIRECTOR, FACILITIES AND SERVICES DIVISION, INSTALLATIONS AND LOGISTICS DEPARTMENT, HEADQUARTERS MARINE CORPS. I APPRECIATE THE OPPORTUNITY TO APPEAR BEFORE YOU TO REVIEW THE AMENDED FISCAL YEAR 1990-1991 BUDGET REQUEST AS IT PERTAINS TO MARINE CORPS MILITARY CONSTRUCTION, FAMILY HOUSING AND MAINTENANCE OF REAL PROPERTY.

THE LEVELS OF FUNDING FOR MILITARY CONSTRUCTION, FAMILY HOUSING AND RELATED FACILITIES OPERATIONS AND MAINTENANCE ACCOUNTS THAT OCCURRED DURING THE LAST DECADE ALLOWED THE MARINE CORPS TO MAKE UNPRECEDENTED PROGRESS TOWARDS CORRECTING FACILITY DEFICIENCIES. PERHAPS THE AREA OF GREATEST IMPROVEMENT HAS BEEN QUALITY OF LIFE. OVER 38,000 BACHELOR ENLISTED QUARTERS SPACES, OVER 4,000 UNITS OF FAMILY HOUSING AND 34 COMMUNITY FACILITIES HAVE BEEN CONSTRUCTED. LIKEWISE, SUSTAINABILITY AND QUALITY OF LIFE IN THE WORK PLACE HAVE BENEFITED BY THE CONSTRUCTION OF OVER $443 MILLION OF AVIATION AND GROUND MAINTENANCE FACILITIES. THERE IS STILL ROOM FOR IMPROVEMENT, BUT THE PROGRESS IN THESE PARTICULAR AREAS NOW PERMITS THE MARINE CORPS TO DIRECT ATTENTION TOWARDS OTHER DEFICIENCIES. LOOKING AHEAD, LOWER FUNDING LEVELS WILL ALTER OUR APPROACH TO MILCON PROGRAMMING. DESPITE FISCAL CONSTRAINTS, ANTICIPATED TRAINING AND OPERATIONAL TEMPO WILL REMAIN HIGH. GIVEN THE SUCCESS WE ENJOYED IN PROGRAMMING QUALITY OF LIFE CONSTRUCTION, THE MARINE CORPS CAN NOW AFFORD TO DEVOTE A HIGHER PERCENTAGE OF OUR MILCON DOLLARS TO OPERATIONS AND TRAINING PROJECTS AND SIMULTANEOUSLY ADDRESS THE REMAINING

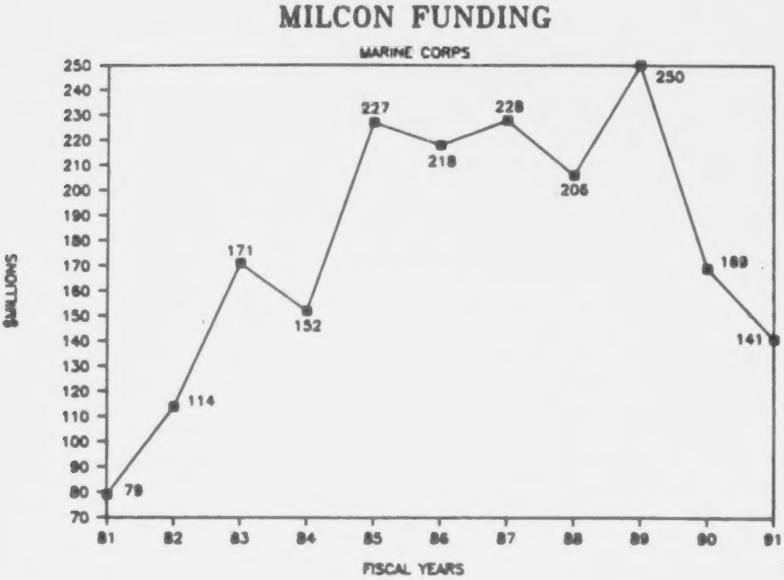
HABITABILITY AND MAINTENANCE FACILITIES DEFICITS.
DURING THE YEARS OF ROBUST DEFENSE SPENDING, WE WERE NEARLY ABLE TO KEEP UP WITH NEW REPAIR REQUIREMENTS AND OUR BACKLOG OF MAINTENANCE AND REPAIR (BMAR) STABILIZED. WE FEEL THAT DURING THIS PERIOD THE CONDITION OF OUR FACILITIES IMPROVED. WHAT NEEDS TO BE REMEMBERED ABOUT MAINTENANCE AND REPAIR IS THAT YOU CONSTANTLY HAVE TO MAINTAIN THE FACILITIES YOU OWN AND EVENTUALLY ALL FACILITIES HAVE TO BE REPAIRED. WE MUST MAINTAIN AND REPAIR OUR FACILITIES SO THE MARINE CORPS CAN CONTINUE TO USE THEM TO PERFORM ITS MISSION.

OUR MILITARY CONSTRUCTION REQUEST FOR FISCAL YEARS 1990 AND 1991 OF $169 MILLION AND $141 MILLION RESPECTIVELY, PROVIDES THE PROJECTS NEEDED TO RESPOND TO THE MARINE CORPS HIGHEST PRIORITIES OF IMPROVING READINESS AND SUSTAINING OF OUR FORCES. THE REQUEST CONTINUES EFFORTS INITIATED IN PRIOR YEARS FOR BOTH NEW AND EXISTING MISSIONS WITH EMPHASIS BEING PLACED ON PROVIDING FACILITIES THAT PROMOTE PERSONNEL AND MATERIEL READINESS, ENHANCE PRODUCTIVITY, IMPROVE MORALE AND WELFARE AND PROVIDE THE QUALITY OF LIFE IMPROVEMENTS NECESSARY TO ATTRACT AND RETAIN DEDICATED MEN AND WOMEN FOR THE MARINE CORPS. WITH THE SUPPORT OF CONGRESS, WE HAVE MADE SIGNIFICANT IMPROVEMENTS. I WOULD, HOWEVER, BE REMISS IF I FAILED TO POINT OUT THAT WE ARE A LONG WAY FROM ACHIEVING OUR ULTIMATE GOAL - EXCELLENT FACILITIES TO SUPPORT ALL OUR MISSION REQUIREMENTS.

YOUR PAST SUPPORT FOR OUR PROGRAM HAS BEEN SUPERB AND WE ARE MOST GRATEFUL. IT REFLECTS A KEEN APPRECIATION OF THE RELATIONSHIP BETWEEN EXCELLENT FACILITIES AND WARFIGHTING CAPABILITY. MODERN ADEQUATE FACILITIES HAVE CONTRIBUTED SIGNIFICANTLY TO IMPROVED MISSION CAPABILITY, PRODUCTIVITY, READINESS AND SUSTAINABILITY AND HAVE HAD A VISIBLE IMPACT ON MORALE AND RETENTION.
A YEAR AGO I WAS VERY PLEASED TO REPORT THAT THE MARINE CORPS WAS ONCE AGAIN INCREASING THE PERCENTAGE OF OUR FUNDS DEDICATED TO

MILITARY CONSTRUCTION. CHART 1 REFLECTS OUR PROGRAM SINCE 1982 WHEN THE MARINE CORPS ASSUMED RESOURCE SPONSORSHIP FOR MILITARY CONSTRUCTION.

CHART 1

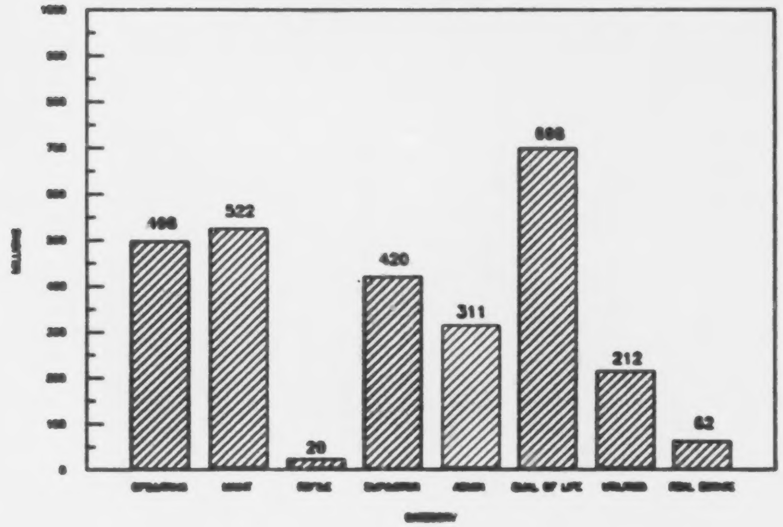


UNFORTUNATELY, THIS YEAR THAT UPWARD TREND CANNOT CONTINUE. OUR FISCAL YEAR 1990 MILITARY CONSTRUCTION REQUEST IS 32.4% LESS THAN THE REQUEST SUBMITTED AND APPROVED FOR FISCAL YEAR 1989 AND OUR FISCAL YEAR 1991 REQUEST DECREASES ANOTHER 16.6%. HOWEVER, THIS DECREASE SHOULD NOT BE CONSTRUED AS A WEAKENING OF OUR COMMITMENT TO REPLACE AND UPGRADE OUR PHYSICAL PLANT, BUT RATHER CAN BE PRINCIPALLY ATTRIBUTED TO THE DOWNWARD PRESSURES ON THE MARINE CORPS BUDGET BROUGHT ABOUT BY GENERAL BUDGET REDUCTIONS. WE PLAN TO HALT THIS DECLINE IN FISCAL YEAR 1992 AND RESUME AN UPWARD TREND. AS A PRODUCT OF CURRENT BUDGET CONSTRAINTS, BETTER ADDRESSAL OF OUR $2.8 BILLION FACILITIES BACKLOG, REFLECTED ON CHART 2, MUST WAIT FOR BETTER TIMES.

CHART 2

MILCON DEFICIENCY

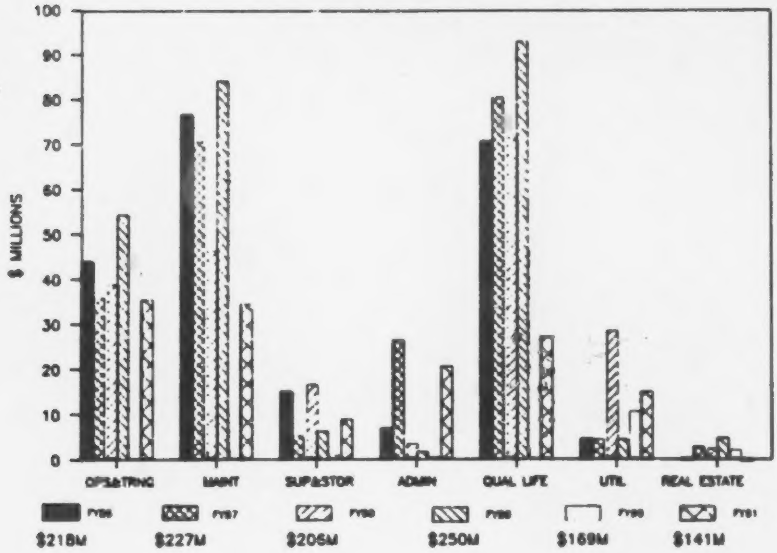
TOTAL (INCLUDES P&D) = $2.8 BILLION



DESPITE ITS SIZE, THE MARINE CORPS MILITARY CONSTRUCTION PROGRAM CONTINUES TO BE AN INTEGRAL ELEMENT OF OUR COMBINED ARMS FORCES MODERNIZATION AND THE MARINE CORPS REMAINS COMMITTED TO PROVIDING THE EXCELLENT FACILITIES NEEDED TO MEET ALL OUR REQUIREMENTS. THE MARINE CORPS CONSTRUCTION REQUESTS OVER THE PAST FEW YEARS HAVE PROVIDED BALANCED PROGRAMS THAT HAVE BEEN APPLIED AGAINST NEEDED FACILITY IMPROVEMENTS IN OPERATIONS AND TRAINING, MAINTENANCE, SUPPLY AND STORAGE, ADMINISTRATION, QUALITY OF LIFE, AND UTILITY SYSTEM UPGRADES AS SHOWN ON CHART 3.

CHART 3

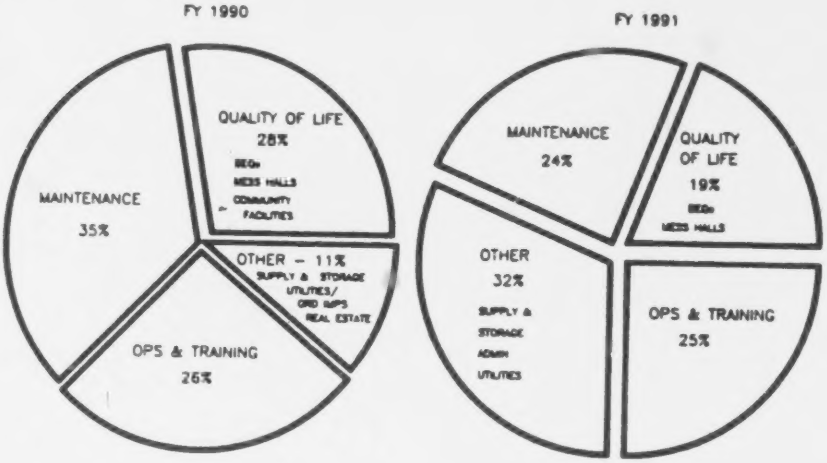
MILCON PROGRAM



IN FISCAL YEARS 1990 AND 1991, MILITARY CONSTRUCTION RESOURCES CONTINUE TO BE ALLOCATED TO SUPPORT THE PROCUREMENT OF NEW WEAPONS SYSTEMS AND EQUIPMENT WHICH WAS BEGUN IN THE EARLY 80'S; TO PROPERLY HOUSE OUR ENLISTED MARINES; AND TO REPLACE THOSE AGING FACILITIES WHICH ARE BEYOND PRUDENT ECONOMIC REPAIR. THIS BALANCED PROGRAM IS CONSISTENT WITH OUR PAST MANAGEMENT STRATEGY AND IS IN RESPONSE TO THE MARINE CORPS' MOST URGENT NEEDS, AS REFLECTED ON CHART 4.

CHART 4

MARINE CORPS
MILITARY CONSTRUCTION (MILCON) DISTRIBUTION



OUR FISCAL YEARS 1990 AND 1991 REQUESTS PLACE LESS EMPHASIS ON QUALITY-OF-LIFE PROJECTS BY NECESSITY. THE MARINE CORPS HAS DEDICATED 37 PERCENT OF ITS MILITARY CONSTRUCTION BUDGET ($616 MILLION) IN FISCAL YEARS 1980 TO 1989 FOR THE CONSTRUCTION OF 38,253 BACHELOR ENLISTED QUARTERS (BEQ) SPACES, WHICH HAS GONE A LONG WAY TOWARD COMING TO GRIPS WITH OUR DEFICIT. OUR FISCAL YEAR 1990 REQUEST INCLUDES $37.6 MILLION FOR BEQ PROJECTS AT TWO MARINE CORPS ACTIVITIES WHICH WILL PROVIDE MODERN LIVING SPACES FOR 1630 ENLISTED MARINES, AND $7.9 MILLION FOR A MESSHALL AND A MESSHALL ADDITION. IN FISCAL YEAR 1991, $20.1 MILLION IS REQUESTED FOR 834 LIVING SPACES, AND $7.0 MILLION FOR A MESSHALL AND A MUCH NEEDED CLOTHING ISSUE FACILITY FOR ONE OF OUR RECRUIT DEPOTS. ALSO INCLUDED IN OUR FISCAL YEAR 1990 REQUEST IS $1.5 MILLION FOR TWO CHILD DEVELOPMENT CENTERS. ALL THESE PROJECTS ARE AN INVESTMENT IN THE FUTURE AND THEY REPRESENT, IN A TANGIBLE WAY, OUR CONTINUED COMMITMENT TO IMPROVE THE QUALITY OF LIFE FOR OUR MARINES AND THEIR FAMILIES. OUR PROPOSED PROGRAMS WILL ALSO ADDRESS OUR MOST URGENT OPERATIONAL REQUIREMENTS AND WILL HELP US TO MAINTAIN BOTH PERSONNEL AND MATERIAL READINESS.

THE INTRODUCTION OF NEW WEAPONS SYSTEMS REQUIRES SUPPORT FACILITIES TO EFFICIENTLY MAINTAIN AND CONSERVE THESE ASSETS. OUR FISCAL YEAR 1990 AND 1991 REQUESTS CONTINUE TO PROVIDE THIS SUPPORT. OUR 1990 REQUEST INCLUDES $58.7 MILLION FOR MAINTENANCE FACILITIES, WHICH COMPRISES THE LARGEST PORTION OF OUR CONSTRUCTION PROGRAM AND CONSISTS OF TWELVE PROJECTS AT NINE MARINE CORPS ACTIVITIES. OUR 1991 REQUEST INCLUDES FOUR MAINTENANCE RELATED PROJECTS TOTALING $3[illegible].5 MILLION AT THREE MARINE CORPS ACTIVITIES.

THE AVIATION READINESS PROJECTS FOR FISCAL YEARS 1990 AND 1991 INCLUDE: MAINTENANCE HANGAR MODIFICATIONS; HANGAR ADDITIONS; A HANGAR CONVERSION; AN AVIATION ARMAMENT SHOP; AND POWER CHECK PADS IN SUPPORT OF THE F/A-18 AND AV-8B.

MAINTENANCE FACILITIES ARE ALSO REQUESTED TO SUPPORT UNITS AT OUR MAJOR GROUND BASES INCLUDING ONE DEPOT-LEVEL MAINTENANCE FACILITY, FOUR COMMUNICATIONS - ELECTRONIC MAINTENANCE FACILITIES, TWO TACTICAL VEHICLE MAINTENANCE SHOPS, AS WELL AS FOUR OTHER MAINTENANCE COMPLEXES.

OUR 1990 AND 1991 REQUESTS AGAIN EMPHASIZE OUR COMMITMENT TO IMPROVING THE OPERATIONAL AND TRAINING ENVIRONMENT FOR OUR MARINES. WE ARE REQUESTING $80.2 MILLION FOR THE CONSTRUCTION OF OPERATIONAL AND TRAINING PROJECTS AT 10 MARINE CORPS ACTIVITIES. THESE PROJECTS, ESSENTIAL TO OUR TRAINING AND READINESS, WILL PROVIDE FACILITIES SUCH AS: FLIGHT SIMULATOR FACILITIES; TACTICAL SUPPORT VAN PADS; TRAINING RANGE IMPROVEMENTS; TRAINING AND INSTRUCTION FACILITIES; A SPECIAL COMPARTMENTED INFORMATION FACILITY; AND AN AIRCRAFT PARKING AREA.

LASTLY, IS A REQUEST FOR $57.8 MILLION WHICH WILL PROVIDE: WAREHOUSES, AND A TACTICAL COMPUTER SUPPORT FACILITY THAT WILL ENSURE THAT THE MATERIAL PROVIDED THE MARINE CORPS IS PROPERLY STORED, MAINTAINED, AND AVAILABLE WHEN NEEDED; FLIGHT LINE AND PHYSICAL SECURITY IMPROVEMENTS; WASTE AND WATER TREATMENT

FACILITIES; WATER STORAGE DEVELOPMENT; LAND ACQUISITION; AND ADMINISTRATIVE FACILITIES THAT ARE ASSOCIATED WITH OPERATIONS, TRAINING AND COMPUTER SUPPORT FACILITIES. MANY OF THESE PROJECTS ARE NOT VERY GLAMOROUS, BUT THEY'RE ESSENTIAL IN SUPPORTING THE BASE INFRASTRUCTURE.

MARINE CORPS RESERVES

BEGINNING WITH THE FISCAL YEAR 1990 AND 1991 PROGRAM, THE MARINE CORPS HAS ASSUMED BUDGETING RESPONSIBILITY FOR ITS OWN RESERVE FACILITIES AND WILL CONTRIBUTE A PORTION OF ITS TOTAL OBLIGATIONAL AUTHORITY (TOA) TO THE MILITARY CONSTRUCTION, NAVAL RESERVE (MCNR) PROGRAM FOR THE CONSTRUCTION OF MARINE CORPS EXCLUSIVE USE PROJECTS. OUR PURPOSE FOR BECOMING OUR OWN RESOURCE SPONSOR IS TO INCREASE THE TOTAL AMOUNT OF MONEY IN THE MCNR PROGRAM APPLIED TO MARINE PROJECTS AND TO GAIN CONTROL OF OUR PORTION OF THE PROGRAM. FUNDING OF MARINE EXCLUSIVE PROJECTS HAS VARIED WIDELY OVER THE PAST YEARS. BECOMING OUR OWN RESOURCE SPONSOR ENABLES THE MARINE CORPS TO MORE FULLY ADDRESS OUR RESERVE MILITARY CONSTRUCTION NEEDS, AND HOPEFULLY, WILL LEAD TO INCREASED AND STABLE FUNDING LEVELS. THE FISCAL YEAR 1990 PROGRAM WILL FUND SEVEN PROJECTS TOTALLING $9.7 MILLION (19% OF THE MAJOR CONSTRUCTION PORTION OF THE MCNR PROGRAM), WHICH SUPPORT BOTH NEW AND EXISTING MISSIONS. WHILE THERE IS BUT ONE PROJECT IN FISCAL YEAR 1991 FOR $8.1 MILLION (15% OF THE MCNR PROGRAM), THIS IS A HIGH COST URGENT REQUIREMENT TO PROVIDE AN ESSENTIAL HANGAR FOR A NEWLY ACTIVATED RESERVE AH-1 SQUADRON AT MCAS CAMP PENDLETON CALIFORNIA. THE MARINE CORPS' PORTION OF THE MCNR BACKLOG IS $94.08 MILLION WHICH IS 9% OF THE TOTAL MCNR BACKLOG OF $1.14 BILLION.

FAMILY HOUSING

IN RECENT YEARS, THE MARINE CORPS HAS MADE STEADY PROGRESS IN IMPROVING THE QUANTITY AND QUALITY OF OUR FAMILY HOUSING ASSETS. HOWEVER, THE SAME FISCAL CONSTRAINTS THAT AFFECT THE MILITARY

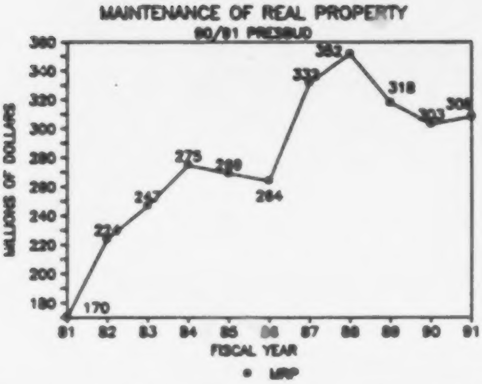
CONSTRUCTION PROGRAM HAVE ALSO AFFECTED FAMILY HOUSING. THE CONSTRUCTION PORTION OF THE FISCAL YEAR 1990 FAMILY HOUSING BUDGET IS A SIGNIFICANT DECREASE FROM FISCAL YEAR 1989. OUR CURRENT HOUSING DEFICIENCY, ALL OF WHICH IS IN SOUTHERN CALIFORNIA, IS 5,031 UNITS. THE MARINE CORPS FISCAL YEAR 1990 AND 1991 FAMILY HOUSING PROGRAM IS $120.7 MILLION AND $125.1 MILLION RESPECTIVELY. IN EACH FISCAL YEAR, WE PROPOSE TO CONSTRUCT 112 FAMILY HOUSING UNITS AT A TOTAL COST OF $22 MILLION WITH ALL 224 UNITS TO BE LOCATED AT CAMP PENDLETON, CALIFORNIA. THE FISCAL YEAR 1990 FAMILY HOUSING IMPROVEMENTS PROGRAM REQUIRES $4.6 MILLION, OPERATIONS AND MAINTENANCE COSTS ARE ESTIMATED AT $104.5 MILLION AND $1 MILLION IS NEEDED FOR COSTS ASSOCIATED WITH SECTION 801 LEASED HOUSING AT MCAGCC, TWENTYNINE PALMS, CALIFORNIA. IN FISCAL YEAR 1991 THE LAST OF THE 200 LEASED UNITS WILL BE BROUGHT ON LINE WHICH WILL INCREASE OUR ANNUAL LEASE COST TO $2 MILLION. DURING FISCAL YEAR 1991 THE FAMILY HOUSING IMPROVEMENTS PROGRAM REQUIRES $3.9 MILLION AND OPERATIONS AND MAINTENANCE COSTS ARE ESTIMATED AT $107.0 MILLION.

MAINTENANCE OF REAL PROPERTY (MRP)

OUR MRP REQUESTS FOR FISCAL YEARS 1990 AND 1991 ARE $303 AND $308 MILLION RESPECTIVELY, APPROXIMATELY 30 PERCENT OF THE O&MMC APPROPRIATION. THE PROGRAM IS USED TO MAINTAIN, REPAIR AND MAKE MINOR IMPROVEMENTS TO FACILITIES AND GROUNDS AT OUR MARINE CORPS BASES AND STATIONS. THE MRP PROGRAM REQUESTED WILL PROVIDE THE FUNDING REQUIRED TO KEEP OUR FACILITIES OPERATIONAL AND HABITABLE FOR OUR MARINES AND THEIR DEPENDENTS.

MRP HAS TAKEN A PROGRAM DECREASE BETWEEN FISCAL YEARS 1989 AND 1990 OF NEARLY $15 MILLION. AS IS SHOWN ON CHART 1, THIS FOLLOWS AN EVEN LARGER DECREASE FROM FISCAL YEAR 1988 TO 1989. THESE DECREASES ARE IN RESPONSE TO OVERALL O&MMC FUNDING DECREASES AND DO NOT REFLECT A LACK OF COMMITMENT TO EXCELLENT FACILITIES.

CHART 1

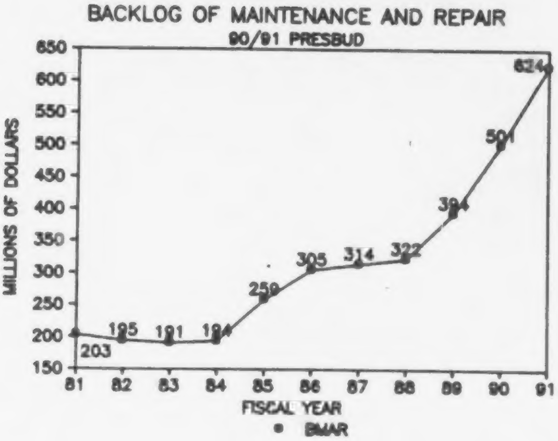


BACKLOG OF MAINTENANCE AND REPAIR (BMAR)

THE BACKLOG OF MAINTENANCE AND REPAIR IS AN INDICATOR OF THE CONDITION OF OUR FACILITIES. IN THEORY, MAINTENANCE AND REPAIR REQUIREMENTS ARE CONSISTENT OVER TIME. INCREASES ARE GENERATED BY INFLATION, WHEN NEW PLANT IS BROUGHT ON LINE OR BY OF THE INCREASED AGE OF THE FACILITIES. IN PRACTICE, THE EMPHASIS ON INSPECTION OF OUR FACILITIES AND QUALITY OF LIFE FOR OUR MARINES ALSO PLAYS A ROLE. THE BETTER THE INSPECTION, THE MORE REPAIRS IDENTIFIED. THIS, IN PART, ACCOUNTS FOR THE INCREASE IN BMAR DURING THE 1980s. WE FEEL THAT EVEN THOUGH BMAR IS INCREASING, THE CONDITION OF OUR FACILITIES IS BETTER NOW THAN IN THE EARLY 1980s.

AS IS SHOWN ON CHART 2, THE MRP BACKLOG WILL REACH $501 MILLION IN FISCAL YEAR 1990 AND $624 MILLION IN 1991. EVEN WITH THIS GROWTH, THE MRP BACKLOG IS MANAGEABLE. WE ARE INSURING THAT THE MOST URGENT PROJECTS ARE EXECUTED AND THE PROJECTS WITH THE LEAST OPERATIONAL AND QUALITY OF LIFE IMPACT ARE BACKLOGGED. WE ARE ACCOMPLISHING THIS OBJECTIVE BY PLACING MOST OF THE MRP FUNDING IN THE HANDS OF THE COMMANDERS IN THE FIELD. THIS PROVIDES THEM THE FLEXIBILITY TO MAKE THE OPERATIONAL REPAIRS REQUIRED TO SUPPORT OUR WARFIGHTING MISSION, ENSURE ADEQUATE QUALITY OF LIFE AND PERFORM DAY-TO-DAY MAINTENANCE REQUIRED TO PREVENT FACILITY DETERIORATION.

CHART 2



SUMMARY

MR. CHAIRMAN, IN SUMMARY, PERMIT ME TO EMPHASIZE AGAIN OUR APPRECIATION FOR THIS COMMITTEE'S CONTINUED SUPPORT. THE MILITARY CONSTRUCTION, FAMILY HOUSING AND MAINTENANCE OF REAL PROPERTY PROGRAMS FOR FISCAL YEARS 1990 AND 1991 REPRESENT THE MARINE CORPS ASSESSMENT OF REQUIREMENTS AND RELATIVE PRIORITIES NEEDED TO BEST CARRY OUT MISSION RESPONSIBILITIES. OUR PROGRAMS ARE THE RESULT OF A CAREFUL, WELL REASONED, AND THOROUGH DECISION PROCESS BASED ON OUR BEST JUDGEMENT AND OPERATIONAL EXPERIENCE. THEY PLACE HIGH PRIORITY ON READINESS AND SUSTAINTABILITY OF OUR FORCES, ENSURE TIMELY SUPPORT FOR FIELDING NEW WEAPONS SYSTEMS, AND CONTINUE OUR COMMITMENT TO IMPROVE THE QUALITY-OF-LIFE OF OUR MARINES AND THEIR FAMILIES WHILE BEING CONSISTENT WITH FISCAL REALITIES. OUR REQUEST PROVIDES A BALANCED PROGRAM, WHICH WE BELIEVE REPRESENTS WHAT IS ESSENTIAL TO SUPPORT MARINE CORPS MISSIONS AND THAT IS RESPONSIVE TO THE GUIDANCE OF THE CONGRESS.

APPROVAL OF THIS REQUEST WILL CONTINUE THE EFFORTS OF THE CONGRESS AND THE MARINE CORPS TO PROVIDE MODERNIZED FACILITIES ENABLING US TO ATTRACT AND RETAIN QUALITY MARINES AND MAINTAIN A HIGH LEVEL OF

OPERATIONAL READINESS AND WARFIGHTING CAPABILITY. WE URGE YOUR FAVORABLE CONSIDERATION OF OUR FISCAL YEAR 1990 AND 1991 MILITARY CONSTRUCTION REQUESTS.

SIR, THIS CONCLUDES MY STATEMENT. I WILL BE MOST HAPPY TO PROVIDE ANY FURTHER INFORMATION YOU MAY NEED, AND TO ANSWER ANY QUESTIONS WHICH YOU MAY HAVE.

Senator DIXON. Thank you, General Downs.

MILCON ACCOUNT INCREASE

Mr. Meehan, I will ask you first, how realistic do you believe the $1.2 billion increase in the Milcon account is for fiscal year 1991? If the Defense budget could accommodate this level in fiscal year 1991, why could it not do so in fiscal year 1990? And since the fiscal year 1991 budget request fails to meet Gramm-Rudman guidelines, do we have any realistic anticipation that we will see a $9.2 million Milcon request in the amended fiscal year 1991 request next year?

Mr. MEEHAN. Well, Mr. Chairman I happen to be a pragmatist, I have been in government 25 years, and I have never seen us catch up with a bow wave. They are used primarily for planning purposes. While it is certainly possible that those levels might be reached, I would have to say that it is highly improbable. That is why we cannot rely just on appropriated funds as the single source for solving our facility needs.

We have to look at all possible avenues and use all tools open to us.

Senator DIXON. Mr. Meehan, the Department's requested $500 million for both fiscal years 1990 and 1991 decapitalize the base closure account. In previous testimony, the Base Closure Commissioner stated that they believed that only $300 million was needed. And former Secretary Carlucci stated that he added the $500 million into each year's budget as a funding wedge without really knowing the actual requirements. Now that the Commission's recommendations have been analyzed, can you provide a detailed justification for the accounts funding for these years? In addition to other expenses, do you have a list of Milcon projects by installation which will be funded out of this account during these years?

Mr. MEEHAN. Yes and no, to a degree. The Commissioners, when they came up with that estimate—I am not sure exactly what their base for determination was—it was an estimate at that time. The Secretary looked at other estimates and locked in on around $500 million to get things going up front. Not only for military construction, but for personnel relocation and so on.

The indication is that the construction costs will probably be around $1.8 billion. So, the $500 million in each year, the total of $1 billion for the first 2 years, will not cover it all. The follow-on savings would be expected to cover that. Overall for the first 4 or 5 years, it is my understanding it will balance out. I have not been very deeply involved in this because, as you know, the Commission's work was totally independent; and we were not involved.

HOW MONEY TO BE APPLIED

Senator DIXON. Who has those hard numbers on how this money will be applied? Does your shop have that?

Mr. MEEHAN. No, my shop does not. But they are available in the Department of Defense and the Commission's work has been reviewed. The services are looking at and have looked at the construction requirements that they feel they do need. They are still being scrubbed and I believe there is a report that is being prepared and should be over to your committee and other committees, as well, within about 2 weeks if I am not mistaken. I am not sure the services have a clean lock on the actual construction specifically by base at this point in time. Do you, General?

General OFFRINGA. No, sir. We have begun to do initial estimates on the costing. What we have to look at is the stream of movements from base to base and then look at those that are the highest priority, and generate, then, the requirements for those high priority moves. But they come from the bottom up, and there is a validation process that we have to do to make sure that those requirements would stand audit as true base closure requirements. So, while we have a general idea of what the costing would be, we have not completed the process that would allow us to state with real certitude exactly what the bottom line is.

Senator DIXON. OK. I think I will send a written question to all of you. Try to give me whatever information you have on that, OK?

Mr. MEEHAN. Yes, sir.

PRIVATE SECTOR INITIATIVES

Senator DIXON. One final question Mr. Meehan. You talked a lot about the private sector initiatives in your testimony. That always appeals to a good many of us of a more conservative vein around here. But the thought that occurs to me is a lot of that authority has been on the books a long time, and it seems like we have not done much with it up until now. Am I in error in making that observation?

Mr. MEEHAN. No. As I indicated, you have given us the authority. We have done some work in this regard, but not as much as we would have liked. We know we can do much more, and we know we can do much better.

Senator DIXON. All of us are familiar with the fast food places on the bases and the fact that banks and many localities now offer services of other private sector type things. I was concerned more with the quality of life type stuff.

Mr. MEEHAN. The housing and child care centers, are slowly coming along. Primarily because of the way the agreements are being structured. We are new at this game, and some of the ways the agreements are being structured are, in effect, turning off the financial sector. We are learning from those, if you will, mistakes. We are trying to correct those mistakes, and work better with the financial community and the private sector who will be doing the construction and the management.

It is a learning process, and it has been slower than we would have hoped. But we think it is improving.

Senator **Dixon**. Are you the proper person to make further inquiries of, concerning that in writing, that is to say, I would like to see some of the results of private sector initiatives that you all have been involved in up until now. As we go into this tight budgetary constraint that I do not see ending for some period of time even if we might get a little additional revenue next year. One knows that things are not going to get back to what we experienced in this committee some years ago in our better years, from a standpoint of available funds.

I think looking at that private sector stuff are things that this subcommittee and the whole committee would be interested in.

Mr. **Meehan**. Certainly. We are the people to whom you should address those questions. Not only that, but even if we did get back to the good years, if you will, and years gone by, that still would not be enough to address our true needs. That is why we have to rely on your support with the appropriated funds, the private sector, host nations, take a look at our force structure, take a look at the base structure itself and try to do more with what we do have available to us.

Senator **Dixon**. I would like any information you have. I thought maybe General Offringa or General Ahearn may have some observations.

General **Offringa**. Yes, sir. I might just point out some specific examples of where these authorities were invaluable to us. When we built Fort Drum, for example, we could not have gotten the family housing on the ground if we did not have the 801 capability. And we have occupied over 3,000 of those units at Drum and a few other places.

The second area that we have had a lot of success in is the 2809 authority applying to sewage treatment plants where we were able to use that authority to provide a critical service. And I think that area of applications has great promise.

I think some of these initiatives are producing great things for us. And I would subscribe to Mr. Meehan's comment that we are learning how to apply a lot of the other ones as we go along.

801 HOUSING AUTHORITY

Senator **Dixon**. Now, those housing things that you reference at Fort Drum for example. The private sector did the housing, they rented them and personnel from the base use it, I take it. Has that proved to be a profitable experience for the private contractor? Also, is it on the Government side that works out all right on the pencil for us, as well?

General **Offringa**. Yes, sir. I think this is one that works well for both sides. The contractor makes a profit, the Government is able to get housing. The 801 housing authority is particularly valuable when we have to get large numbers of houses in a short period of time. And we get good housing. The housing up at Drum is very well received by the people.

Senator **Dixon**. Does the private contractor own the freehold or does he get a long-term lease on the land? How does that work?

General **Offringa**. He owns the land and he leases it to the Government on a long term lease.

Senator **Dixon**. He owns the land?

General **Offringa**. Yes, sir.

Senator **Dixon**. Well, you mean adjacent to the base?

General OFFRINGA. That is correct.

Senator DIXON. None of that is done on the base; it is immediately adjacent?

General OFFRINGA. Not as a general rule. We do have a couple of cases where we put it on corners of the base.

Senator DIXON. What do they do then, get a long-term lease?

General OFFRINGA. From the Government, yes. But that is not a normal way of operating.

Senator DIXON. Very interesting. I would like to see more about that. It occurs to me that for most of our private, not private, but quality of life programs in the future, if we are going to see this kind of an experience, we are going to have to rely more and more on that.

General OFFRINGA. I agree with that assessment, sir.

Senator DIXON. Well that is very helpful.

General Ahearn, did you have a comment that you wanted to make on that?

General AHEARN. It was a very similar comment to General Offringa's. We have been realizing success in privatization although it is tough to deliver because we are breaking new ground. We have great success in family housing in the continental United States and overseas. The section 801 authority that Mr. Meehan asked to be extended, we wholeheartedly ask your continued support and the extension of that authority.

Senator DIXON. Now, I am thinking out loud. I do not guess we are jurisdictional here. Okay, we are jurisdictional. Well you are making notes of that. I did not want to promise something I could not deliver, but it sounds like we are jurisdictional, so we will make due note of that.

Admiral DOEBLER. Mr. Chairman, I would like to comment as well. In the 801 housing area, we have a successful project in the Norfolk area which is off the base and very highly thought of by the people who are occupying it. It is obviously a good deal for them and for the person that built it for us. Also, we have another 801 project under construction at Naval Weapons Station, Earle, NJ.

We also have section 2809 long-term contract authority. The first for the Navy is a facility for Naval Air Station, Memphis, Tennessee, which constructs an administrative building for the Chief of Naval Technical Training on Navy land. They are building us a replacement headquarters facility. When the new facility is finished, we can move out of the old facility which we are going to turn over to the Bureau of Prisons. So each one of these things is a unique case. There is no real standard answer. We need the authority to go whatever way proves to be best in the individual circumstance.

Senator DIXON. Well, I would recommend that you folks have your staff people meet with mine. If that is all jurisdictional in my subcommittee, I assure you, there is no problem on accommodating you. I am not sure whether there are sequential references on that or not. It looks like we can do it all in the DOD authorization; well that is fine. Apparently staff has already taken notes so I do not think you need to follow up.

It looks like we are on top of it. Sometimes the staff knows a lot more than the Chair. That is not true in the Army, is it General? [Laughter.]

COMMUNITIES OF EXCELLENCE

General Offringa can you explain how the Army's facility budget request supports any of the steps you say will execute your strategy? Specifically, let's see, relevance on the concept of communities of excellence? Will your budget fully fund annual recurring requirements and the cost ownership, how will you reduce annual operations cost by 2 percent a year? How do you program to meet a 2 percent revitalization rate? Have I asked too many questions or can you get them all?

General OFFRINGA. You may have, Mr. Chairman, but I will try to answer them all.

Senator DIXON. Start with the communities of excellence.

General OFFRINGA. The communities of excellence is a program that the Chief of Staff of the Army and the Secretary of the Army initiated in 1988. It is a resource multipiler, not a resource consumer in that its primary focus is to instill pride in our installations and communities, to increase service, to improve the focus of the people on improving the areas in which they live. We execute the program through some infusion of planning money to create installation design guides so we have good architectural themes, and to instill some expanded self-help capabilities so that people are able to do things for themselves, particularly in the housing areas.

And what we have seen is a great expansion of interest and involvement by the people on our installations. And we are finding that the funds that your committee puts into our construction program are better focused and better used as a result of the enhanced price that we found at our installations.

Senator DIXON. How are you going to reduce annual operations cost by 2 percent a year?

General OFFRINGA. That is a goal that we are going to strive for. And we are going to do it through a variety of initiatives, some of which are already underway, things like energy conservation an initiative that the Department of Defense is already working on which would reduce our fixed costs; working to obtain the most efficient organizations within our base operations structure so that we can get the most done with the minimum number of personnel required to be applied to those particular jobs; and, reducing the numbers of facilities that we have, particularly by tearing down old World War II wood, which is very, very expensive to maintain. Those are some of the sorts of things that we are going to do in order to try to drive down from the top the requirement for maintenance money, at the same time that we try to increase the Army's funding of our recurring requirements so that we can eliminate the shortfall between what we need to operate and what resources we are able to put in so that our backlogs will cease to rise.

Senator DIXON. I hope you are not running into much asbestos in those old buildings. I find that when I go around.

General OFFRINGA. I hope not either sir. But every time we do, it makes what we are trying to accomplish more expensive.

HOST COUNTRIES

Senator DIXON. Let me talk about the host countries. You mention facilities which are being provided by the Government of Korea and Japan. Are you aware, may I ask, of any initiatives to broaden the criteria of projects which either nation would fund under these programs? Are they helping more?

General OFFRINGA. I think there are a number of success stories in that arena, although I think there is still room for us to do a lot more. We have, for example, an air field in Korea which is being built almost completely by the Koreans in support of the fielding of the new Cobra batallion in Korea. The Koreans are funding all of the operational facilities, the runways, the buildings, everything except that increment of quality of life that we need to fund in order to bring the quality of life standard from the Korean standard to the U.S. standard.

In Japan we have attained a tremendous number of quality of life facilities for our people built to very, very high standards, I might add. And finally, in Germany we are working on the wartime host nation support program where the German Government will provide 80,000 reservists to provide support structure in lieu of American soldiers. We lever that by sharing with them the cost of some of the facilities to store the equipment. I think those are three very good success stories where wartime host nation support is indeed working.

OVERSEAS BASE CLOSURES

Senator DIXON. Thank you. One last question of you, General. Has the Army closed any overseas bases over the last 5 years?

General OFFRINGA. Not that I am aware of, sir.

Senator DIXON. Does it plan to do so during the period of fiscal year 1990-1991 budget?

General OFFRINGA. No, sir.

SEC. 802 RENTAL GUARANTEE

Senator DIXON. Admiral Doebler, in your prepared testimony, you talked about the section 802 rental guarantee program. Have you successfully negotiated any housing leases under this authority? Do you have any prospect of doing so?

Admiral DOEBLER. No, Mr. Chairman, we have not. The reference in the testimony was really seeking authority to continue to have that ability. One of the reasons that it has not proved effective is that it has not been affordable.

Senator DIXON. I was going to ask you about extending it. You have not been doing that at the time. And I wonder what your thinking is?

Admiral DOEBLER. Affordability has been the problem—a gap between the service member's BAQ plus his VHA, as compared to the developer's cost for the facilities. Particularly when it is done off base, 20 to 25 percent of the cost goes right up front into the land. So, the legislative proposal seeks to allow us to pay for some of the utilities costs, the operations costs of the housing separate from the rental guarantee and that would reduce the affordability gap. It might make it workable.

From our perspective it probably would only work in a low-cost construction area. I do not think it would work in the high-cost metropolitan areas. But it is just another tool that is in the bag that we might use.

Senator **Dixon**. If you picked up the utilities, do you think that the amount left for the service person might then be a thing that could be handled?

Admiral **Doebler**. It would certainly, we know it would reduce the gap. The question of whether it would reduce it enough to make it achievable would have to be worked out on a project-by-project basis.

Senator **Dixon**. I wonder whether we ought to look at that and see what we could do to help to find a way to get that gap so that it is manageable. Even if the utility alone was not enough, it is probably in these tough times something to look at.

Mr. **Meehan**. If I might comment on that, Mr. Chairman. There are other mitigating factors involved, as well. They are the cap on the quarters allowance and the housing allowances in general.

Senator **Dixon**. Could I interrupt at that point to say I presume when one of these guys comes along who wants to build facilities, he has conversations with your folks and kind of knows that the earning level is in the very service man he is looking at out there, and how much money is available? I trust you would not build until you talked that out.

Mr. **Meehan**. The markets cannot get together on that.

Senator **Dixon**. Their price is too high compared with——

Mr. **Meehan**. That is right. And the other problem is the financial sector as well. I think, from what I understand, they are a little shaky about the possibility of us having to default a contractor if he falls down on operational maintenance responsibilities. I believe that is the way the law reads now.

What we would like to do is sever that connection and make it optional so that if the developer and the operator fall down on a job, we can step in and perform that work. That makes the financial sector feel a little more comfortable and a little more willing to take the "risk" which, of course, is reflected in the interest payments that the financial sector requires and in turn raises or lowers the amount that the developer has to, in turn, charge us. So it is all interconnected.

Senator **Dixon**. Well, I am interested, and we will look at that a little more and maybe we will be back to all of you about that.

FAMILY HOUSING AT SUBIC BAY

Admiral, the Navy has requested $19 million for the construction of over 200 units of family housing at Subic Bay in the Philippines. Frankly, in light of the questionable tenure of our presence, how does this proposal fit into the Navy's critieria of only funding essential requirements? Would it not be prudent to find other ways to provide safe sanitary shelter for Navy personnel until the base-right situation there is more clear?

Admiral **Doebler**. Mr. Chairman, we do not really think there is another way. The alternative is to go to unaccompanied tours if we cannot provide adequate housing. We have a great number of our people that are living off of the economy now in very unsuitable, unsafe conditions. If we go to unaccompanied tours, then we are faced with a continuity problem in the operation with excessive turnover of personnel plus the impact on morale of separation for the personnel with dependents who are unaccompained. They are separated anyway when they are on sea duty. So, when they are on shore duty, separating them again has a very adverse impact.

With regard to the fiscal year 1990 project, we would like to get started with it. We do not have to make an award immediately, and we can be moving on it on the assumption that the base agreement will come through. We can make a final decision at a later date.

STRATEGIC HOMEPORT PROGRAM

Senator **Dixon**. Admiral, in your statement you appeared to justify the continued investment in the strategic homeport program. Based upon the philosophy behind this 600 ship Navy, is it not a fact that the Navy's 5-year defense plan does not support this size fleet?

Admiral **Doebler**. Mr. Chairman, our program by no means represents a total build out of all of our requirements. So, I would say that the projects that we have requested would be required almost in spite of the size of the fleet because our existing ports are over utilized, as we have shown, and we are in crowded conditions from an operational standpoint. The principles that really underlie strategic homeporting are equally applicable, even with a force of less than 600, as long as you are reasonably in that area. If we were down at 200, obviously it is a different ball game. But we do not see anything like that.

Senator **Dixon**. Would you provide me for the record a portloading plan for each Navy homeport, beginning with a baseline of fiscal year 1985 and showing the changes which have occurred since then as the Navy's fleet build up plans have changed? Could you get that to us?

Admiral **Doebler**. Yes, sir, I have that. I would be pleased to provide that for the record.

Senator **Dixon**. Thank you. I would appreciate it if you would send it to us, Admiral.

[The information follows:]

HOMEPORTING POSTURE—MAJOR FLEET CONCENTRATIONS

Homeports	End of fiscal year—				
	1985	1986	1987	1988	Mid 1989
Pearl Harbor	42	41	40	38	37
Puget Sound Area	15	16	13	15	15
San Francisco Bay area	20	19	23	21	24
Long Beach	23	28	30	31	33
San Diego	101	103	99	99	87
Newport	4	7	8	10	8
Groton/New London	30	30	30	26	26
Norfolk area	119	115	123	126	132
Charleston	72	72	70	67	64
Mayport	28	28	31	28	28
Gulf Coast	10	11	11	8	8
Naval Fleet Auxiliary Force [MSC]	21	23	24	26	26
Overseas	21	23	24	26	26
Grand total	[1] 506	[1] 516	[1] 526	[1] 521	[1] 514

[1] Not included are ships in overhaul and homeports with less than 5 ships.

OVERSEAS AIR BASES CLOSED

Senator **Dixon**. General Ahearn, how many overseas air bases has the USAF closed during the last 5 years?

General **Ahearn**. Sir, I do not know how many, but we are deactivating the six ground-launched cruise missile missions. And we intend to close—there were six built—those that do not have follow-on missions.

Senator **Dixon**. What bases will be closed?

General **Ahearn**. Sir, there are six ground launched cruise missile bases and follow-on missions are being studied.

Senator **Dixon**. These are being looked at as a result of the INF Treaty?

General **Ahearn**. Yes, we are evaluating those bases.

Senator **Dixon**. When will those be closed? For instance, there is one base in Italy that we have about 130 million——

General **Ahearn**. There is a schedule for the drawdown of them that is phased over a few years.

Senator **Dixon**. I am not trying to be argumentative, but why would you take time to close bases, where the obvious treaty that we have entered into obviates the necessity for the existence of them?

General **Ahearn**. The treaty is based on the concurrent drawdown of weaponry. And the schedule of draw down is based on force equivalence.

Senator **Dixon**. Some of this could be classified. I do not think I will pursue it further. Would you provide my staff here the story on those six bases and your schedule and so forth for me?

General **Ahearn**. Indeed, I will.

[The information follows:]

The proposed follow-on missions for the six Ground Launched Cruise Missile Bases are:

RAF Greenham Common, UK [deleted].
RAF Molesworth, UK [deleted].
Wueschheim AB, GE [deleted].
Florennes AB, BE [deleted].
Woensdrecht AB, NL [deleted].
Comiso AB, IT [deleted].

Senator **Dixon**. I appreciate that. One of those I take it would be the new one that we have not even occupied or am I in error in saying we have not occupied it? It is so new.

General **Ahearn**. Let me summarize quickly.

Senator **Dixon**. Am I getting into anything classified?

General **Ahearn**. No, sir. In England, as part of the ground launched cruise missile program, we built two bases. One at Greenham Common, the other one at Molesworth. The first base built was Greenham Common, and it is up and operating. The second from the last base was Molesworth. And it was not completely built.

Senator **Dixon**. Neither of those sounds like the name I am looking for.

General **Ahearn**. In Italy, we built a single base on the Island of Sicily called Comiso. That base is fully built up and operational.

We built a base in Florennes, Belgium, it was not fully built, but well under construction and some operational missiles. And we built another GLCM site in West Germany called Wueschheim and that site's host base was Hahn Air Base and Wueschheim was an auxiliary site to Hahn, fully up and operational.

The last base would be at Woensdrecht, The Netherlands.

Senator DIXON. Now I notice that your budget request includes $21 million in U.S. financed facilities at the proposed new base at Crotone. How much of the NATO infrastructure request represents the U.S. share of this initiative? And my apologies for the people——

General AHEARN. The NATO estimate for Crotone is about $827 million for the whole NATO bill. Our part of it is about $230 million or 28 percent.

Senator DIXON. $230 million, okay. How much during 1990 and 1991?

General AHEARN. I'm sorry, I do not have those figures with me.

Mr. MEEHAN. Mr. Chairman, there would be no impact in 1990, so the funds that are in this Milcon bill for NATO infrastructure which would be 27, 28 percent of total infrastructure investment, does not come into play in fiscal year 1990 for Crotone. There is a certain amount in fiscal year 1991, but I am not exactly sure of how much that is.

Senator DIXON. Let us know to the best of your ability, will you?

Mr. MEEHAN. Yes, sir I sure will.

[The information follows:]

At most, $10 million of the fiscal year 1991 NATO Infrastructure request is associated with Crotone construction.

CORPS' MAINTENANCE AND REPAIR BACKLOG

Senator DIXON. General Downs, I am curious about your optimistic view concerning the condition of the Corps' facilities. In your statement, and I quote, "During the years of robust defense spending we were nearly able to keep up with new repair requirements and our backlog of maintenance and repair stabilized." Yet according to your own charts, it appears that the backlog increased by 50 percent from 1984 to 1988 and is expected to double by fiscal year 1991.

General DOWNS. The backlog of maintenance and repair was stabilized in the 1986 program. We were able to maintain it at about a $300 million level. With the funding received in fiscal year 1989 and projected in 1990, 1991, we anticipate the backlog of maintenance and repair will increase to approximately $600 million. The size of backlog of maintenance and repair is also related to the efficiency and effectiveness of our inspection program. I would suggest that a portion of that increase can be attributed to a better inspection program and a better understanding as to what the total requirements are.

In other words, I suggest that many of those requirements now being identified were probably there in 1984, but we did not have enough money to put against all our requirements and thus did not expend the additional inspection efforts necessary to fully identify all of the backlog.

How do we expect to be able to maintain our facilities? Well we expect that in the short term, it will be difficult. We'll use a band-aid approach and forego most whole facility repairs. In other words, we'll do limited things that will keep facilities operating in the short term and postpone major long term fixes.

Additionally, we have tried to provide the greatest flexibility to the commander in the field, the one who has the responsibility. We provide 75 percent of our operation and maintenance, maintenance of real property funds, to the installation commander, who is best positioned to deal with requirements on a priority basis while ensuring attention to those things directly related to readiness without decreasing those things essential to quality of life, sir.

Senator DIXON. I note that the administration legislative package includes an initiative to authorize a public-private construction scheme on Henderson Hall to support corps administrative requirements in the needs of the Navy Mutual Aid Association. What analysis did the corps perform, General, to ensure that the taxpayer receives a maximum possible return for the public asset which is being provided the association?

General DOWNS. We think this one is a rather easy one, sir. We are getting an $8 million building for merely providing 10,000 square feet of land upon which Navy Mutual Aid will build something to their benefit. They get the use of a portion of the building for 50 years, and we get an $8 million facility. It effectively is costing us nothing, except for the loan of 10,000 square feet of land.

Senator DIXON. Very good. Gentlemen, I have some more questions, but quite frankly we are going to have some time constraints, I am afraid. If it is satisfactory of the five of you, I will pursue further by written questions, the answers we are seeking on other issues. I want you to know that I find all of your testimony most helpful.

Thank you on behalf of the subcommittee and the committee. Thank you very much.

Mr. MEEHAN. Thank you very much, Mr. Chairman.

DOD PRESENCE IN THE NATIONAL CAPITAL REGION [NCR]

Senator DIXON. If you will forgive me, I will forego the ceremony of coming down and shaking your hands and welcoming you to the committee.

The subcommittee will now move to the second panel. The number and potential expense of various Defense Department facility proposals within the Washington metropolitan area have long been a subject of concern to this subcommittee. In the past we have sponsored specific legislation and report requirements regarding these proposals. The facility requirements of the military services have increased in the National Capital Region. And the costs have escalated as commercial leases reach maturity and government facilities deteriorate due to inadequate investment.

We are pleased to welcome our second panel to discuss these needs and proposed remedies for these problems. In panel 2 we welcome Mr. David O. Cooke, Director, Washington Headquarters Services, Department of Defense; and Mr. Paul Chistolini, Assistant Regional Administrator for the National Capital Region, General Services Administration; Mr. Paul Johnson, Deputy Assistant Secretary of the Army Installations and Housing; and continuing to represent the Chief of Naval Operations, Rear Admiral James Doebler, USN.

Gentlemen, I again ask that you limit your oral statements to under 10 minutes. Those of you who have submitted prepared statements, I assure you they will be included for the record. Mr. Cooke, will you please proceed?

STATEMENT OF DAVID O. COOKE, DIRECTOR, WASHINGTON HEADQUARTERS SERVICES, DEPARTMENT OF DEFENSE

Mr. Cooke. I would be delighted. It is a pleasure to be with you, Mr. Chairman. Let me talk a little about the profile of our DOD administrative space in the National Capital Region.

There is a total of some 21 million plus square feet of administrative space that houses approximately 148,000 people. Now, our administrative space is divided between DOD-owned and GSA, either owned, such as the Pentagon right now, or GSA-leased space. Geographically about 15.8 percent of this space is in the District of Columbia, another 20 plus percent, 20.5 percent to be exact, in Maryland, with the remaining 63.7 percent in Virginia.

In other words, the Department of Defense in the Washington area is largely a Virginia-based organization. Most of our activities are in Virginia and the majority of our work force comes from Virginia.

Over the last 20 years, there has been a great shift from occupying Government-owned space into lease space. Consider that in 1968 we occupied about 10.3 million square feet of GSA-controlled space, and only 16 percent or 1.6 million square feet was leased. Today, we occupy 12 million square feet of GSA-controlled space and 55 percent or 6.8 million is leased. The reason for this dramatic shift is that we moved out of Government-owned space. We moved out of the Main Navy and Munitions buildings along Constitution Avenue.

We also moved out of the Forrestal building to make room for the Department of Energy. In all of these moves, we went from Government-owned space into leased space.

This enormous increase in leased space is matched, of course, by an enormous increase in the cost to the Department and, of course, to the Federal Government and ultimately the tax payer. In 1975, for example, we paid GSA about $73 million for space in the NCR, or National Capital Region.

In 1989 we will pay our good friends in GSA $217 million. If we continue to stay in leased space, the problem is only going to get worse because many of the leases, particularly those in Crystal City, for example, where we put the Navy when the Navy moved out of the main Navy and Munitions buildings, are in the process of expiring, or will shortly expire in the next several years. The cost is going to go way up from about the $7 or so a square foot we are now paying.

Obviously, we have nothing to show after the years of leasing. I really do not think even GSA gives us receipts so that we could paper the wall or anything. To give you some idea of the magnitude of the problem, about 6 million out of the 6.8 million square feet we are leasing from GSA is going to expire in the next 5 years. And some of the leased buildings in Crystal City are 20 years old and they really do not meet the current standards for modern office buildings.

A couple years back I was under notice from the Arlington Fire Department on fire hazards, and I was going to get cited because the Navy at that time was so crowded into some of the space at Crystal City.

Let me now turn to another problem. This problem is a Government-owned building; it is the Pentagon. The Pentagon was built in 1943, and today it is almost literally held together by baling wire and scotch tape and the like.

None of the major systems in the building, the heating, the air conditioning, the cooling have ever been replaced. The building is literally riddled with asbestos. Any time we cut into a ceiling we have to go through a very high-cost operation in asbestos abatement. But I will state frankly, that the ambient asbestos is well below—meets, more than meets, any health standards.

Our power plant, the Pentagon power plant has four coal boilers; none of them work. If they have to be repaired, we literally have to have a contractor come to fabricate the parts for them.

We are now getting by on leased boilers. And the power plant also supplies chilled water for the air conditioning, the building, more importantly for our computer set-ups which demand more and more cooling. We are now getting by on those cooling requirements with leased chillers. We are trying to get them repaired, but the facility is just in a sad state of disrepair.

On the heating and cooling, my director of facilities over there, Walt Freeman, gets complaints about the heat in the summer, and, of course, the lack of heat in the winter. And I have tried saying, Mr. Chairman, that, over the course of a year, we will average about 72 or 73 degrees.

People say that is not bad, and then I point out that, after all, that is the average temperature on the moon, too, so it does not quite work that way. But, what do we propose to do about these problems?

Senator DIXON. I am almost tempted to interrupt you and tell you that, believe it or not, we have the same problems in the Hart Building, and it is brand new. But go ahead with your problems. [Laughter.]

Mr. COOKE. I think if you let me know who your contractor was, I will try to look into it. What are we trying to do about the problems? First, the Pentagon, we have a proposal in the 1990–1991 Milcon authorization to transfer ownership of the Pentagon from GSA to the Department of Defense. There are several reasons for this.

First of all, we will get some considerable efficiencies in management because there will not be a double layer of management, both at GSA Region and Headquarters, and, then again, here in the Congress. GSA's nationwide budget is small. As a matter of fact, without the transfer authority, I do not think we could get the needed renovation. By the way, the proposal has the support of GSA.

We have proposed that the complete renovation be funded over a 7-year period out of Milcon. The estimated cost of the renovation is about $610 million spread out over the 7 years, or about 1 percent of the annual Milcon budget for each of the 7 years in question. By the way, the cost would be about the same as the estimated cost of what our future rent payments to GSA would be over the same period of time if the Pentagon were not transferred.

Now, I will say that, when we talk about a renovation of the Pentagon, we mean a complete renovation. New air-conditioning, new heating and so forth. We have to vacate part of the Pentagon at a time to renovate it and swing space is a problem. We estimate we need about 800,000 square feet of swing space for the next 8 years, or at a cost of between $175 million and $225 million over the renovation period. That cost, by the way, was not included in my estimate of $610 million.

Let me now turn to the Navy Crystal City problem, where you recall I said that some of the buildings are now 20 years old, are not modern office space, and are overcrowded. We, working with the Navy, are proposing consolidating the holdings in a new building, and, as a matter of fact, on May 15, 1989, GSA advertised for developers to provide about 3 million square feet.

Developers will be asked to consider not only building property in Virginia that would provide the space needed, but also to consider the GSA Franconia depot as a possible site, thereby, hopefully, forgoing the cost of purchasing land. We expect that the RFP will go out probably some time in June on the Navy Crystal City project.

Turning now to the Army, several major things to talk about, and Paul Johnson can fill out the details. The Army Materiel Command is now in 400,000 square feet of leased space in Alexandria, the Army is looking at a replacement building somewhere in the Fort Belvoir area, using the authority that the previous panel discussed, of 10 U.S. Code 2809 and we strongly support the recommendation of the last panel to extend section 2809(b) after its present expiration date at the end of this fiscal year.

Also in Belvoir, there is the Engineer Proving Grounds of 820 acres where the Army is looking at private/public ownership proposals, an innovative idea that we completely support, which will, by the way, require legislation. That 820 acres could provide the space to move the activities from Cameron Station, including the headquarters of the Defense Logistics Agency, as mandated by the Base Closure Commission.

These plans for moving into Government-owned space, obviously, will require close cooperation with local, regional and State officials because they raise traffic problems and other problems. Let me assure you that everyone represented here on the panel, is meeting with State and local jurisdictions, we are working with them and we will continue to work with them.

So, in closing, the projects I described will go a long way to meet the goals that we set forth in our report to this committee, which was mandated and we submitted to you about a year ago, to be exact. And we will also thoroughly subscribe to the fact that we need to explore innovative ways to provide the needed administrative space that we require in the Washington area.

[The prepared statement of Mr. Cooke follows:]

STATEMENT OF
D. O. COOKE
DIRECTOR OF ADMINISTRATION AND MANAGEMENT
OFFICE OF THE SECRETARY OF DEFENSE

Mr. Chairman, members of the Subcommittee, I am "Doc" Cooke, the Director of Administration and Management for the Office of the Secretary of Defense. I am pleased to appear before you today and discuss the issues related to the modernization and consolidation of the office space housing Defense activities in the National Capital Region. Accompanying me today are; Mr. Paul Johnson, Deputy Assistant Secretary of the Army for Installations and Housing, representing the Department of the Army; Rear Admiral James C. Doebler, Director of Shore Activities, representing the Department of the Navy; and, Mr. Walt Freeman, Director of my office of Real Estate and Facilities.

My presentation will follow the order of the issues in your May 12, 1989 letter to General Glosson, with appropriate references and building upon last years " Report to Congress on DoD Administrative Space Planning for the National Capital Region".

DOD IN THE NATIONAL CAPITAL REGION

—Overview

The dramatic shift over the past 20 years in the amount of leased space occupied by the Department is the major issue driving our facility plans. In 1968 only 16 percent (about 1.6 million square feet) of the General Services Administration (GSA) space occupied by the Department of Defense (DoD) in the National Capital Region (NCR) was leased. Over the intervening years the percentage has drastically changed so that today 55 percent (about 6.5 million square feet) of the GSA controlled space occupied by DoD is leased.

The amount of leased space occupied by DoD coupled with the fact that a significant amount of this space was first leased in the late 1960's and early 1970's under very favorable 20 year leases which are now approaching the end of their contract terms is the driving force in the innovative plans by the Military Departments. We do not want to be in this situation again, twenty years or even ten years from now.

The Department occupies over 21 million square feet of administrative type space providing work areas for more than 148,000 military and civilian employees in the NCR. This space is further subdivided into that under the control of the GSA, and that which is under the control of DoD.

The amount of GSA controlled space occupied by the Department has increased from 10.3 million square feet in 1968 to 12.1 million square feet today. An annual increase of less than 100,000 square feet. Although space has increased, personnel has not. There has, in fact, been a slight decrease in personnel in the NCR. The increase in space is attributed to three primary factors: the relocation from the substandard, over crowded, temporary buildings (Navy Munitions and Bureau of Yards and Docks and others), the increased use of computers and the resulting need for specialized computer rooms, and the recent reassignment of some light industrial shops and low density space from GSA as a part of the building delegation program.

One other change from 1968 that should be noted was the creation by the Congress of the Federal Buildings Fund in the 1972 Amendments to the Public Buildings Act of 1959. The implementation of the fund in 1975 by GSA has resulted in DoD making payments to GSA for the use of GSA controlled space. In the National Capital Region (NCR) alone, DoD will pay GSA over $216 million during FY 1989 for the GSA space we occupy.

--Reducing the DoD Presence

The Report to the Congress I referred to earlier, listed a number of organizations which had a potential to move out of the NCR all of which required operational impact studies to determine if relocation was prudent. Decreasing the Defense presence in the NCR is a theme which is intermittently discussed; and, in fact, over the past 20 years some employees and activities have been relocated. In this regard the Army is relocating the Engineering School from Ft. Belvoir. Likewise, the Navy has relocated about 2,700 employees occupying 830,000 square feet from this area.

The list of potential candidates for relocation in the aforementioned Report to the Congress has been overtaken by recommendations in the Base Realignments and Closures Report, with a number of the potential candidates now part of a specific relocation proposal. For example, the Army's Information Systems Engineering Command is now planned to relocate from Ft. Belvoir to Ft. Devens, Mass., a move of 1,680 employees.

THE PENTAGON RESERVATION

—Background

Over the past few years there have been a number of studies on a possible Annex at the Pentagon Reservation, with development proposed at over 3,000,000 square feet of space. Because of the serious reservations expressed by a number of officials, including Members of Congress and Arlington County officials, we reduced the scope of the Annex project to roughly 1,800,000 square feet of space.

Most recently, however, we deferred indefinitely the Annex project in view of a number of other real estate development initiatives proposed by the Defense Components and Military Departments including the renovation of the Pentagon, consolidation of the Navy's Systems Commands and the use of the Ft. Belvoir Engineering Proving Grounds, coupled with the requirements of the Base Realignments and Closures Report. Serious consideration of an Annex project at the Pentagon Reservation is now not expected until the end of the Pentagon renovation cycle. Of course, by that time our requirements may be significantly different from today, and I know of no way to forecast what these requirements may be. Our current thinking for the Pentagon Reservation is to renovate the Pentagon itself including the possibility of an extension for light industrial and general support functions, replace the Pentagon

Heating and Refrigeration Plant and keep Federal Building No. 2 (Navy Annex) operational through the renovation cycle.

—Pentagon Renovation

The Pentagon is a 47 year old building that has suffered from decades of neglect and under-funded repair and maintenance programs. As a result, many of the original major building support systems have never been replaced or significantly upgraded and have deteriorated beyond the point of economical repair. The electrical, heating, air conditioning and plumbing systems need to be replaced to ensure continued service to the building as well as to bring the systems up to modern standards. Exterior repairs and window replacement will also be required. Finally the building is infested with asbestos in the original plaster ceilings and in the insulation for many of the pipes running throughout the building. For well known health reasons, this asbestos must be removed. (By the way, if asbestos were removed independently of a renovation project, costs are estimated in excess of $380 million for removal only).

More importantly, the Heating and Refrigeration Plant at the Pentagon is in an even more serious state of disrepair. Construction of a new plant is critical. Not one of the five original 1942 coal fired boilers is operational. The plant operates with one 1973 oil fired boiler and three rented temporary oil fired package boilers. Only three of seven water cooling chillers are fully operable. The plant is currently operating with two 5,000 ton chillers, one 2,500 ton chiller, and two 1,000 ton rented chillers.

Because of heightened concerns for security, the security perimeter of the Pentagon concourse was moved from the foot of the interior ramps leading to offices to an area just inside the metro entrance. Checkpoints were temporarily installed, and permanent improvements planned as a follow-on project. These improvements are needed to handle the 40 percent of Pentagon employees (over 9,000) who use the concourse entrance daily.

A very preliminary funding profile of the renovation, subject to substantial modifications as the technical and engineering studies on renovation proceed, anticipates the renovation occurring in six increments with the Heating and Refrigeration Plant and the Concourse security improvements preceding the renovation as shown below.

FY 91	Heating Plant, Concourse Security	$76.3 million
FY 92	Renovation Increment 1	$83.0 million
FY 93	Renovation Increment 2	$82.0 million
FY 94	Renovation Increment 3	$86.0 million
FY 95	Renovation Increment 4	$90.0 million
FY 96	Renovation Increment 5	$94.0 million
FY 97	Renovation Increment 6	$98.0 million

—Transfer Legislation and Liabilities

The General Provisions of the Military Construction Authorization Act for Fiscal Years 1990 and 1991 include a Section that would transfer the Pentagon Reservation from the Administrator of GSA to the Secretary of Defense.

The Department believes that this legislation is required in order to ensure that the National Military Establishment's mission is not jeopardized due to poor facility support. With this legislation we can commence the critical replacement of the Heating Plant as well as the long overdue renovation of the Pentagon.

The Pentagon was constructed over a 16 month period with funds authorized through the first Supplemental National Defense Appropriation Act, 1942. Although authorized and funded for the War Department, the building is under the management and control of GSA, and since the implementation of the Federal Buildings Fund (FBF) in 1975, the Department has been paying GSA for use of the building. Since 1975, rental payments to GSA for the Pentagon alone have totaled over $560 million of which only about 60 percent was spent on the operation and maintenance of the building. Despite payments by Defense of $225 million more than the basic cost of operating and maintaining the building, GSA has not committed additional funds for improved maintenance. As a consequence, the building has suffered from decades of neglect and insufficient maintenance; a situation which is not expected to change as long as GSA controls the building.

Under an agreement with GSA, effective October 1, 1987, the Department was delegated the authority for the day-to-day operation, protection and maintenance of the Pentagon Reservation including the Pentagon, FB2 and the Pentagon Heating and Refrigeration Plant. The Department still makes payments to GSA and is rebated an amount which GSA determines is necessary to cover operation, protection and maintenance costs. The following factors should be considered relative to the proposed legislation:

- o The transfer has the support of GSA
- o The transfer is the next logical step since GSA has already delegated day-to-day operation, maintenance and protection for the Reservation to DoD.
- o The transfer eliminates a layer of management and improves efficiencies.
- o The Federal Buildings Fund has not had, and is unlikely to have, sufficient resources to support the renovation of the Pentagon.
- o Even if the resources were available to GSA, national priorities might preclude using a significant portion of the Fund for renovating the Pentagon.
- o DoD still pays GSA $78 million a year for the Pentagon and FB2 of which $35 million (45%) is returned for operation, maintenance and protection.
- o An order of magnitude estimate of future rental payments shows that from FY 1990 through FY 1998, the Department could pay GSA as much as $500 million more than GSA would rebate for the protection, operation and maintenance of these buildings. This amount comes close to our

preliminary estimates of the base cost to renovate the Pentagon Building.

GSA and DoD have agreed that the best method to proceed with the renovation of the building is to transfer the Pentagon and fund the renovation from the military construction program. The renovation would be about one percent of the annual MILCON budget for a period of six to seven years or about six to seven percent of a one year MILCON program. Conversely, the renovation would be almost twice the 1990 GSA nation wide capital improvements program of $331 million. Both the GSA and DoD budget's are finite and to the extent one program is funded another may not be funded. However, the Department has concluded that the renovation of the Headquarters of the National Defense establishment has priority and should proceed as a MILCON project.

LEASED SPACE

The Department occupies, as mentioned above, 6.8 million square feet of space leased by the GSA for use by various DoD organizations. About six million square feet, or almost all of the leases, expire over the next five years. Planning is proceeding on a number of fronts to improve the quality of the space through consolidating activities and reducing our dependence on commercial leases.

—The Navy

The Navy occupies over 2.2 million square feet of leased space dispersed in 17 buildings primarily located in the Crystal City area of Arlington County. Much of this space was acquired when Navy organizations were moved from the temporary Navy Munitions and Bureau of Yards and Docks buildings so that these temporary buildings could be demolished. As a result, there are a number of 20 year old leases expiring soon in 20 year old deteriorating buildings which do not meet today's standards for office space. Recognizing the poor conditions of the buildings and the amount of leased space expiring over the next few years, a plan was conceived to consolidate these Navy activities in new buildings. On May 15, 1989 GSA advertised for developers to provide 3,000,000 square feet for the Navy. GSA is also studing their Franconia depot as a possible location. The request for proposals is expected to be issued in mid-June.

—Army Material Command

The Army Materiel Command (AMC) occupies about 400,000 square of feet of leased space in the AMC building, Alexandria, VA. They are exploring the possible use of the provision of U.S.C. Title 10 Sec. 2809 to procure a replacement facility near the Davison Army Airfield at Ft. Belvoir. Fairfax County has requested a comprehensive Environmental Impact Statement covering all of Ft. Belvoir, including the North Post and the Engineering Proving Grounds along with the GSA Franconia Depot. The provisions of Title 10 Sec. 2809 planned for use in this procurement expires September 30, 1989. The Department has requested an extension to this provision.

FT. BELVOIR - FRANCONIA

Planning and feasibility studies are just starting on the best use and development potential for two major tracts of land: the GSA Franconia depot and the Army's Engineering Proving Grounds at Ft. Belvoir.

The Franconia depot, as I mentioned above, is a site under consideration for development by the GSA. Although a lot of preliminary work has been done, a professional investigation of the transportation, density of development and other concerns will be undertaken soon.

The Army has conceived of a very innovative approach for the use of the Ft. Belvoir Engineer Proving Grounds. In essence, the Army is investigating entering into a private/public partnership where the developer would provide the Army with office space in return for the right to develop a significant part of the 820 acre property.

We fully support the Army's concept and the concept is fully consistent with the goals of reducing our dependence on costly leased space, consolidating organizations and developing real property assets outlined in our Report to the Congress. Mr. Johnson can discuss this proposal in greater detail.

REGIONAL PLANNING CONTEXT

Both GSA and Army are working closely with Fairfax County officials and the local community in order to identify constraints and solve the transportation problems inherent in any development of the magnitude being discussed. I am confident that these issues can be resolved.

As you can see, there are a number of projects under development which would go a long way to meeting the goals set forth in our Report to Congress. My concern is that with a restrained Defense budget, normal project funding methods may not be feasible, and other techniques may be required in order to implement these proposals.

Mr. Chairman, this concludes my prepared remarks. I would be pleased to answer any questions you may have.

Senator DIXON. Thank you, Mr. Cooke. I appreciate it. Mr. Chistolini, may I hear from you? Then if Mr. Johnson has something he briefly wants to add to what Mr. Cooke said, it would be fine, and then we will go into the question period. Mr. Chistolini.

STATEMENT OF PAUL CHISTOLINI, ASSISTANT REGIONAL ADMINISTRATOR FOR PUBLIC BUILDINGS AND REAL ESTATE, NATIONAL CAPITAL REGION

Mr. CHISTOLINI. Thank you, Mr. Chairman, and thank you for the opportunity to appear as part of this panel. In the interest of moving on to the discussion, I would only follow up on a couple points that Mr. Cooke said, that DOD is one of our biggest customers.

A lot of the leased space that was acquired for them was acquired in the late 1970s, late 1960s, early 1970s, and no longer meets the functional needs of today's modern office space. It does not provide the electrical capability or air-conditioning necessary for an office environment that has virtually a personal computer on every desk, which is virtually necessary to make the Government move and work efficiently.

We are very committed to solving the Navy problem and finding solutions, better solutions to just acquiring leased space.

[The prepared statement of Mr. Chistolini follows:]

STATEMENT OF

PAUL CHISTOLINI

DEPUTY REGIONAL ADMINISTRATOR,

GENERAL SERVICES ADMINISTRATION

NATIONAL CAPITAL REGION

GOOD AFTERNOON MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE.

THANK YOU FOR THE OPPORTUNITY TO APPEAR AS A PANEL MEMBER BEFORE YOUR COMMITTEE. YOUR LETTER OF INVITATION REQUESTED THE GENERAL SERVICES ADMINISTRATION (GSA) TO RESPOND TO SEVERAL REAL PROPERTY ISSUES FACING THE ARMED SERVICES IN THE NATIONAL CAPITAL REGION. I WILL ADDRESS EACH ISSUE IN ORDER.

1) CURRENT LEASED SPACE SITUATION AND PROJECTED COSTS:

PRESENTLY THE GENERAL SERVICES ADMINISTRATION (GSA) PROVIDES THE DEPARTMENT OF DEFENSE (DOD) WITH OVER 6.8 MILLION OCCUPIABLE SQUARE FEET OF LEASED SPACE, HOUSING SOME 43,000 WORKERS WITHIN THE NATIONAL CAPITAL REGION. APPROXIMATELY 85% OF THIS LEASED SPACE IS IN NORTHERN VIRGINIA. MUCH OF THIS SPACE WAS INITIALLY LEASED IN THE LATE 1960'S AND EARLY 1970'S UNDER 10-20 YEAR LEASES FOR RENTAL COSTS OF $6-7 PER NET USABLE SQUARE FOOT (NUSF). THE SPACE ACQUIRED WAS OF A SPECULATIVE OFFICE BUILDING NATURE AND THE DEMANDS OF TODAY'S OFFICES HAVE OUTPACED THE ABILITY OF THESE BUILDINGS TO PROVIDE ESSENTIAL OFFICE SERVICES RELATING TO ELECTRICAL POWER, AIR-CONDITIONING AND ELEVATOR SERVICE.

RECENT EXPERIENCE IN RENEGOTIATING THESE LEASES HAS SHOWN THAT WHILE THE COST NEARLY TRIPLES, ONLY LIMITED IMPROVEMENTS TO THE OVERALL QUALITY OF THE SPACE CAN BE MADE. TO OBTAIN QUALITY LEASED SPACE, PROXIMATE TO GOOD PUBLIC TRANSPORTATION SUCH AS METRO, AND CAPABLE OF MEETING THE OFFICE NEEDS OF THE WORKFORCE OF TODAY AND THE FORESEEABLE FUTURE, THE GOVERNMENT MUST BE WILLING TO PAY RENTAL RATES IN THE $22-38 OCCUPIABLE SQUARE FEET RANGE (FY 90 PROJECTION IN NORTHERN VIRGINIA), DEPENDING ON THE TERM OF THE LEASE.

2) HOUSING STRATEGY:

THE DELAY IN RESOLUTION OF ISSUES CONCERNING THE CONSOLIDATION OF NAVY AND OTHER DOD ELEMENTS HAS FORCED GSA TO IMPLEMENT INTERIM PLANS TO CONTINUE HOUSING THESE AGENCIES FOR THE NEXT 5-10 YEARS. AS NOTED ABOVE, ONLY LIMITED IMPROVEMENTS IN SPACE CAN BE ACHIEVED IN THE INTERIM. GSA IS REQUESTING PROSPECTUS AUTHORITY FOR MORE THAN 5 MILLION NUSF OF LEASED SPACE IN ORDER TO ACCOMMODATE LEASES EXPIRING FROM FY 88-91.

GSA HAS RECENTLY ADVERTISED FOR APPROXIMATELY 3.0 MILLION NUSF OF SPACE IN ORDER TO EFFECT A CONSOLIDATION OF THE NAVY'S SYSTEMS COMMANDS. THIS EFFORT IS A RESULT OF THE DEFENSE AUTHORIZATION BILL OF FISCAL YEAR 1989, SEC. 2817. GSA WILL COMPARE THESE COSTS TO THE ALTERNATIVE OF PROVIDING THIS HOUSING REQUIREMENT BY MILITARY CONSTRUCTION FUNDING AS WELL AS AT THE GSA DEPOT AT FRANCONIA, VIRGINIA. EVALUATION OF THE DEPOT SITE IS UNDERWAY TO DETERMINE IF IT HAS CAPACITY FOR THIS REQUIREMENT. WHEN THE DATA HAS BEEN GATHERED, WE WILL REPORT BACK TO THE CONGRESS AS REQUIRED BY THE AUTHORIZATION BILL.

3) FUNDING MECHANISMS:

GSA IS FORMING A TASK FORCE WITH OMB AND OTHER AGENCIES TO EXPLORE AND DEVELOP ALTERNATIVE METHODS OF PROVIDING 'FUNDING MECHANISMS' FOR IDENTIFIED GSA PROJECTS, TOTALING OVER $4 BILLION NATIONWIDE. THIS EFFORT WILL BE COMPLETED WITHIN 60 DAYS.

4) INVOLVEMENT AT FRANCONIA AND FT. BELVOIR:

GSA AND THE ARMY ARE WORKING WITH THE CITIZENS AND OFFICIALS OF FAIRFAX COUNTY TO INSURE A THOROUGH PLANNING EFFORT. GSA IS A MEMBER OF A CITIZENS' TASK FORCE THAT HAS BEEN FORMED AND IS COMMITTED TO THE COMMUNITY EFFORT FOR AN ENVIRONMENTAL IMPACT ASSESSMENT BEFORE THE PROJECT PROCEEDS. GSA IS UNDERGOING A STUDY OF THE RELOCATION OF THE NAVY. THIS EFFORT IS INDEPENDENT OF ANY PROPOSED DEVELOPMENT OF FT. BELVOIR FOR THE ARMY.

5) HISTORY AND UPDATE ON PENTAGON AND FB-2:

IN GENERAL, THE PENTAGON SUFFERS FROM THE EFFECTS OF OVER 45 YEARS OF WEAR AND TEAR. THE NEED FOR UPDATING THE FACILITY CANNOT BE DISPUTED. THE STRUCTURE IS SOUND AND THE ARCHITECTURAL ENCLOSURE REPAIRABLE, BUT THE ENGINEERING SERVICES ARE IN NEED OF UPGRADING.

AT PRESENT, A RENOVATION PROJECT ESTIMATED TO COST MORE THAN $500,000,000, INCLUDING $18,000,000 FOR MANAGEMENT AND INSPECTION, IS NEEDED TO BRING THE BUILDING UP TO CURRENT CODES AND STANDARDS, INCLUDING THE REPLACEMENT OF HVAC, PLUMBING, ELECTRICAL, AND LIGHTING SYSTEMS, REPAIR OF EXTERIOR SURFACES AND WINDOW REPLACEMENT, LIFE AND FIRESAFETY UPGRADES, STRUCTURAL REPAIRS IN THE BASEMENT, AND ASSOCIATED ASBESTOS ABATEMENT AND INTERIOR BUILDING REPAIRS. THE LEVEL OF FUNDING REQUIRED FOR THE NEEDED RENOVATION IS BEYOND THAT AVAILABLE FROM THE FEDERAL BUILDINGS FUND AS CURRENTLY CONSTRUCTED.

FROM FISCAL YEAR 1977 TO THE PRESENT, THE GENERAL SERVICES ADMINISTRATION (GSA) HAS ACCOMPLISHED REPAIR AND ALTERATION PROJECTS TOTALLING APPROXIMATELY $37,100,000 TO MAINTAIN THIS FACILITY IN OCCUPIABLE CONDITION, INCLUDING THE REMOVAL OF POLYCHLORINATED BIPHENYLS (PCBS) CONTAMINATED TRANSFORMERS, ABATEMENT OF ASBESTOS-CONTAINING MATERIAL, LIFE AND FIRESAFETY MODIFICATIONS, ELEVATOR AND ESCALATOR REPAIR AND REPLACEMENT, HEATING, VENTILATING AND AIR-CONDITIONING (HVAC) REPAIRS, ROOF REPAIRS, AND GENERAL BUILDING REPAIRS. OF THE $18,000,000 IN FUNDING AUTHORITY MADE AVAILABLE TO GSA FOR THE PENTAGON SINCE FISCAL YEAR 1985, WORK IS CURRENTLY UNDERWAY FOR FIRESAFETY, ELEVATOR/ESCALATOR WORK, AND REMOVAL OF PCBS THAT HAS TO DATE UTILIZED ALL BUT CONTINGENCY FUNDS. AN ADDITIONAL $8,000,000 HAS BEEN DELEGATED TO DOD FOR ACCOMPLISHMENT OF MINIMAL ROOF REPAIRS AND TOILET RENOVATIONS.

THE CONDITION OF THE FEDERAL BUILDING #2, OR THE NAVY ANNEX, IS SOMEWHAT DIFFERENT. SINCE FISCAL YEAR 1977, GSA HAS ACCOMPLISHED PROJECTS TOTALLING IN EXCESS OF $8,700,000 IN THE REPAIR AND ALTERATION OF THIS FACILITY, INCLUDING REPLACEMENT OF THE CROSS BRIDGES, ABATEMENT OF ASBESTOS-CONTAINING MATERIALS, LIFE AND FIRESAFETY MODIFICATIONS, HVAC, ELECTRICAL AND ELEVATOR REPAIRS, AND REPAIR AND REPLACEMENT OF WINDOWS AND SOFFIT.

THIS BUILDING ALSO SUFFERS FROM AGE AND THE ASSOCIATED WEAR AND TEAR. IN ORDER TO MAINTAIN THE BUILDING IN A TENANTABLE CONDITION MEETING CURRENT STANDARDS, A RENOVATION PROJECT ESTIMATED TO COST $60,000,000 WOULD BE REQUIRED WHICH WOULD REPLACE THE EXISTING FOURTH FLOOR WOOD STRUCTURE, IMPROVE OVERALL

LIFESAFETY PROTECTION, UPGRADE THE ELECTRICAL DISTRIBUTION AND LIGHTING SYSTEMS, REPLACE THE HVAC SYSTEM, ABATE ASBESTOS ENCOUNTERED, AND UPGRADE INTERIOR FINISHES.

GIVEN THE LEVEL OF FUNDING REQUIRED FOR RENOVATION OF THE BUILDING, GSA BELIEVES ALTERNATIVE USES OF THE SITE WOULD BE MORE COMPATIBLE WITH COMMUNITY CONCERNS AND LONG-TERM DEVELOPMENT GOALS. UNDER PREVIOUS CONCEPTS FOR THE MASTER PLAN FOR THE PENTAGON COMPLEX, GSA AND DOD AGREED THE NAVY ANNEX WOULD BE DEMOLISHED AND THE LAND UTILIZED AS PART OF AN OVERALL PLAN.

6) PENTAGON MASTER PLAN:

GIVEN THE OTHER PRIORITIES WITHIN DOD, WE UNDERSTAND THEY ARE RESTUDYING THEIR DEVELOPMENT PLANS AT THE PENTAGON COMPLEX. THE PRIORITY IS SECURING FUNDING FOR THE RENOVATION OF THE PENTAGON.

7) CAPACITY OF THE FEDERAL BUILDINGS FUND:

IN COMPETITION WITH OTHER CRITICALLY NEEDED RENOVATION PROJECTS AROUND THE COUNTRY AND THE LIMITATIONS OF THE FEDERAL BUILDINGS FUND, GSA HAS BEEN UNABLE TO ALLOCATE THE FUNDING LEVELS NECESSARY TO DO A MAJOR RETROFIT OF THE PENTAGON . PREVIOUS ADMINISTRATION AND CONGRESSIONAL DECISIONS HAVE HAD A SIGNIFICANT IMPACT ON THE FUNDS AVAILABLE TO GSA THROUGH THIS MECHANISM. IN FY 91, FOR EXAMPLE, THE PENTAGON RENOVATION COSTS WOULD BE MORE THAN 100% OF THE TOTAL MONEY AVAILABLE TO GSA FOR NATIONWIDE CAPITAL IMPROVEMENTS.

GSA AND DOD HAVE AGREED THAT TO ENSURE CONTINUED EFFICIENT USE OF THE PENTAGON FOR DOD HEADQUARTERS, IT IS APPROPRIATE TO SEEK RENOVATION FUNDS FROM THE MILITARY CONSTRUCTION BUDGET.

Senator DIXON. Thank you. Mr. Johnson, do you have anything you want to add?

Mr. JOHNSON. No, we contributed to Mr. Cooke's statement. I will answer questions regarding the EPG when you get to that discussion.

Senator DIXON. Thank you. Then may I ask you all some questions, and incidentally, feel free to participate in the response. Mr. Cooke, for the record, would you provide us a minimum of a 10-year audit of the entire DOD presence in the area, including all types of functions. Could you do that for us for the record, please?

Mr. COOKE. I would be very pleased to, Mr. Chairman.

Senator DIXON. To the extent possible, I wish you would also provide figures of the total DOD population in the NCR for the last 40 years, similar to the data in Table XIII-2 of the report. Can you do that?

Mr. COOKE. Yes, Mr. Chairman.

Senator DIXON. Would you also please provide 10-year audit of the contracting of functions within the NCR so that the committee will be able to understand the full magnitude of the Department's presence in the area? I will send you all that in writing. It is rather detailed and I am going to spare you reading all the information that leads us to want these questions answered.

Mr. COOKE. Thank you, Mr. Chairman.

TRANSFER OF PENTAGON AND NAVY ANNEX

Senator DIXON. But we will send you the written questions. Mr. Cooke, for you and Mr. Chistolini, I want to pursue a number of questions regarding the proposed transfer of the Pentagon and the Navy Annex from GSA to DOD. Both your statements addressed this matter, so I would appreciate it if both of you would answer these questions as seems appropriate in your own words.

As I understand your testimony, the two reasons for transferring these assets to the DOD are, one, eliminate a layer of management, and, two, permit the DOD to budget for the renovation of the Pentagon. Now, is that substantially true? And do you want to elaborate on that, either one of you? Mr. Cooke.

Mr. COOKE. Mr. Chairman, let me elaborate. Since the Congress, in its wisdom, established the Federal Building Fund, we have paid in, it used to be called SLUC, I think it is now just called rent, to GSA: $225 million more to GSA than GSA put back into the building.

That $225 million, had we had that money, would have gone a long way to obviate many of the very crucial maintenance problems, repair problems we are now facing. And, as I told you, if we get control, legal control of the Pentagon, we would be able to fund the major share of this complete renovation from the amount of rent we project we would have to pay to GSA, not only for the Pentagon but for Federal Office Buildings of course.

Senator DIXON. So not just eliminating a layer of management and permitting you to budget for the renovation, but it is also your argument that you have, in fact, paid a good deal more for the ultimate result obtained by going to GSA than if you were doing it directly in the Department of Defense. Is that your argument?

Mr. COOKE. That is part of the argument. The other is, as I said, the percentage, on an annual basis, of Milcon devoted to this problem would be about 1 percent of the total Milcon. But if you are looking at the amount of money GSA has, the total would, I think, for fiscal year 1990, be more than all of the money GSA has. So we would have much more flexibility to do this needed repair.

Senator DIXON. May I hear from you on that, Mr. Chistolini?

Mr. CHISTOLINI. Yes, Mr. Chairman. If you look at our 1990 budget, GSA is responsible for about 200 million square feet nationwide. To accomplish the renovation of the Pentagon, we would have to double the amount we have available for this type of work and distribute it all to the Pentagon project.

For the 200 million square feet nationwide, we have something in the order of $330 million. The project to renovate the Pentagon is approaching $600 million, so the fund is just not generating sufficient resources to deal with a project like the Pentagon.

Senator DIXON. Mr. Cooke said $610 million. What is your figure?

Mr. CHISTOLINI. Our figure is the same. We are using the same master plan to come up with the estimate, so our numbers are in sync.

Senator DIXON. Can either one of you, perhaps both of you, enlighten me? How far along is the design of this project?

Mr. COOKE. Well, we have asked the engineers to come up with a design concept. And we are funding that out of O&M at the present time. We hope to have the design, this is not a detailed design but the initial preliminaries leading to a design I hope, within the year.

The first step is the powerplant and some improvements in the security of our concourse, which is the main entrance into the building.

As bad as the Pentagon proper is, the powerplant is really worse, and, this spring, we were hoping for cooler weather until we got a couple more chillers on the line. So the powerplant is a crisis situation.

Senator DIXON. Let me ask you this, Mr. Christolini. I heard the testimony of Mr. Cooke about the missing $225 million. What did you guys do with that $225 million? Seriously, explain that, would you? [Laughter.]

These guys ran off with your $225 million. We are going to get to the bottom of it, Mr. Cooke. [Laughter.]

Mr. CHISTOLINI. The Federal Buildings Fund charges rent from our client agencies, which is based on commercial equivalent, what Doc Cooke referred to as SLUC, Standard Level User Charge. That fund, or those revenues——

Senator DIXON. Keep it clean in here, now. [Laughter.]

Mr. CHISTOLINI. Those revenues go into a fund which Congress authorizes back to the General Services Administration for expenditures nationwide. So, approximately, in fiscal year 1989, the fund generated some $2.5 billion, which Congress then reathorized us to spend on operating of buildings nationwide. We have always spent everything that we have earned through the income——

Senator DIXON. So you just—the additional money you got from the Pentagon operation went to——

Mr. CHISTOLINI. Went to building new buildings, new courthouses in Los Angeles or a building in New York State or something. Buildings around the country as well as operating those buildings and providing the money to lease space.

Senator DIXON. I guess the obvious question I want to ask you now is what impact this is going to have on you in the future, if we do this? Obviously, in effect, this has been a source of unappropriated funding for you.

Mr. CHISTOLINI. Well, it has been a source, it has been a profit source for us for sure——

[Laughter.]

Mr. CHISTOLINI [continuing]. Always appropriated through the Congress.

Senator DIXON. Well, I appreciate that.

Mr. CHISTOLINI. It will cost us something in the order of $35 million a year in what you might term as profit. However, if we were to take that $35 million a year and apply it back toward this project, it would take us about 18 years to accomplish this renovation.

Senator DIXON. You are between a rock and a hard place. It is not going to turn out right for you either way, I guess. I get the point, though. Thank you, Mr. Chistolini. Mr. Cooke, given the extremely austere funding prospects facing the Department of Defense for the foreseeable future, why would you want to accept a $610 million liability from the GSA?

If I understand it, the Federal Building Fund was designed to both capitalize and maintain GSA/managed facilities. And since the GSA did not capitalize the Pentagon, apparently has not maintained it, why would the DOD want to pay for its renovation? Why not accept transfer after renovation?

Mr. Cooke. Mr. Chairman, I think the easy answer to that is that, given GSA's track record and the understandable other demands on the Federal Building Fund, we have real reservations about whether the renovation would ever be completed under GSA, given the best of intentions in the world. Because GSA, as the Nation's Federal landlord, faces any number of competing and always legitimate demands.

Senator Dixon. Mr. Chistolini, I gather from your testimony that you do not disagree with the DOD's characterization of the rundown condition of the Pentagon. I gather that the lack of maintenance has not only resulted in significant backlogs, but has, in fact, precluded the economic repair of otherwise serviceable systems.

So my question is, has the GSA's support for Pentagon maintenance and modernization differed substantially from its stewardship of other Federal building assets?

Mr. Chistolini. I think our—I think I will answer this carefully. [Laughter.]

I think our track record is a great deal better when we have assets that do not require such a massive infusion of capital to keep them up. As Mr. Cooke mentioned, this 45-year-old structure, put together in 16 months back in the early 1940s, does require $600 million. As I said, if we took our entire nationwide budget and threw it against this project, it would be just 2 years and nothing else would get done, including other DOD projects that we have.

Senator Dixon. Yes, but, of course, I would argue, if I wanted to be mean here, that, over those years, you made 225 million smackers off the Pentagon.

Mr. Chistolini. Which supported a lot of other——

Senator Dixon. I mean, here you come to me as chairman of this subcommittee at a time when I have got a bad, big bogey, and when everybody is getting cut real deep and real hard.

I hear the tale of woe about what we have to do over there, but I also here that over the experience of the life of that building, $225 million came to GSA that was not used to properly maintain that building over those periods of years; that put it in this kind of deplorable state right now. I am not picking on you; you did not run it all those years. I am not even saying you made the policy decisions. But do you see that from the standpoint of this side of the table?

Mr. Chistolini. Yes, I can understand that viewpoint.

Mr. Cooke. Mr. Chairman, may I say a word in defense of my beleaguered colleague here? [Laughter.]

Senator Dixon. Oh, I like him fine. I like him fine. I am not really picking on him, Mr. Cooke. Mr. Chistolini seems like a fine gentleman.

Mr. Cooke. The Federal Buildings Fund never contemplated that any one particular building, it had to be something that GSA adjusted and, somehow, because, perhaps because all of our supporters were on the Armed Services Committee rather than on the committee looking at GSA, GSA had other demands on its time. I do not know.

But GSA was faced with the almost impossible job of taking moneys across the board and allocating for new buildings, repair and so forth. And it is understandable that, to some degree, some of us, the Pentagon particularly, got short-changed.

Senator DIXON. Well, I understand that. I want to stress to you all that I am trying to get the kind of a record that I can understand from the standpoint of a request this large, and, in a bad year, to receive any bad news.

Mr. Chistolini, you suggest in your testimony that previous administration and congressional decisions have had a significant impact on the funds available to GSA. I wonder if you could elaborate on this for me? Either now or for the record, could you document why the GSA has not been, and apparently will not be in a position to renovate this facility?

Mr. CHISTOLINI. I will give you a short example and I will provide if for the record——

Senator DIXON. Could I interrupt and say that I would like to have the short example, and then I wonder if you could document this for the record for our files here when we make these determinations in the subcommittee?

Mr. CHISTOLINI. Certainly. I would be pleased to document it. A short example would be that the original concept of the fund—where you charge commercial equivalents and that money keeps coming into the fund and it works as a revolving fund, generating income for new projects and for these major repairs—had limitations placed on it, at times both by Congress and OMB, where we could not charge the full commercial equivalent.

I believe that one study I was involved in in the early 1980s, that, by 1983, between the start of the Federal Buildings Fund in 1974 and 1983, that impacts such as those, restrictions such as those had reduced the fund by over $500 million. But I will be——

Senator DIXON. Now, could you get—I did not get the specifics of it. What kind——

Mr. CHISTOLINI. Well, for example, let us say at the Pentagon, the commercial equivalent rate would have been $20 per square foot. During that budget year, OMB reduced the amount we could have charged by, say, 6 percent. So all the money coming in to—and when you apply that against 200 million square feet nationwide, it can have a significant amount of impact.

So that is the type of restrictions or limitations that have been placed on the fund over the years that have reduced its effectiveness in generating enough income to take care of projects like that.

Senator DIXON. Are you saying that the appropriate regulatory agencies and others have suggested to you a standard more than what the realities of a commercial standard would be? Is that a simplification of what you are saying to me?

Mr. CHISTOLINI. It is not a simplification; it is a reality of what other parties in the process, for whatever purposes, budgetary purposes or whatever, have taken on as their role.

PENTAGON RENOVATION AND REPAIR

Senator **Dixon**. Mr. Cooke, what step has the Department taken since the establishment—or steps—since the establishment of the Federal Buildings Fund to secure GSA's support for appropriate repair and renovation of the Pentagon?

I mean, from time to time over the years, as these conditions of deterioration were observed, you are telling me a story here where the furnaces do not work and the air-conditioners do not work, and a variety of other things that are fairly grievous complaints.

If I was your landlord, I would probably be in court somewhere for not maintaining community standards. It has gotten this bad, what has happened over the years to permit that to occur?

Mr. **Cooke**. Mr. Chairman, I do not mean to suggest at all that GSA has done nothing. We work very closely with the region and Mr. Chistolini and his predecessors and they have put money—if I could furnish a list of some of the major repairs they have done. So they have, within the, frankly, limited resources that the region has, we got cooperation from GSA.

The problem is that it just, because of that $225 million delta, or whatever, it just has not been enough to keep pace with a deteriorating 43-year-old, 44-year-old building.

Senator **Dixon**. May I ask both of you, Mr. Cooke and Mr. Chistolini, in both of your statements it is clear that the DOD faces the renewal of large leases for facilities which, apparently, no longer meet the users' needs. Yet, in both of your statements, I see no reference to any alternatives other than additional leases or military construction.

In light of the Department's funding constraints, constraints which would be exacerbated by funding the renovation of the Pentagon, I suspect that Milcon is not a viable alternative. If we are driven to leasing, will we not find ourselves in the same position we are in now, that is, facing lease renewals with no equity position in administrative facilities?

Mr. **Cooke**. Mr. Chairman, the, we are looking, or, hopefully, as Mr. Johnson can talk to you about some innovative ways to public/private or private/public ownership at the Proving Grounds of Fort Belvoir, which would result in making available for use there at a very modest cost to the Department of Defense, administrative space from which we could move out of leased space to Government-owned space.

Similarly, the Army is going to try to use the provisions of 10 U.S. Code 2809 to replace leased space for the AMC. And I think that is working. The Navy, right now, in Crystal City, we are attempting to consolidate. It is another leased code, but we are working—we have large holdings here; we cannot do it all at once.

We are moving toward more innovative ways of dealing with the problem. We solicit the committee's help in authorizing those where legislation becomes necessary.

Senator **Dixon**. Mr. Chistolini, do you have any suggestions in that regard?

Mr. **Chistolini**. In the reprocurement of the Navy space, we are finding that those inexpensive $6 and $7 leases are costing us three times that much. And the really short-term solutions, until we can really affect a consolidation of the Navy in modern office space, is part of the authorization bill that directed the Navy to come to GSA, in concert with GSA, to look for that space.

They did ask us to look at what the alternatives are solicit those costs in terms of alternative financing. I might add for the record that the administration has agreed to take a fresh look at alternative financing, and we have formed a task force and will report back to the House Subcommittee on Public Works in approximately 60 days on concepts of alternative financing.

Mr. COOKE. If we can get that for the Navy, it would be highly advantageous.

Senator DIXON. OK. How about the authority to enter into a contract where you purchase the building through the lease payments over a 30-year period or something like that? Have you asked us for that kind of authority?

Mr. COOKE. We have not, yet.

Senator DIXON. Well, it occurs to me that that is a viable alternative.

Mr. COOKE. I think it is. I agree with you.

Senator DIXON. Good.

Mr. COOKE. And we would like to very much to explore that avenue with the committee.

Senator DIXON. Okay, well, folks, I am going to send you a lot of written questions, because I am going to need to make quite a record in connection with this. Frankly, this is a pretty large sum in a very small, tight, fiscally constrained budget. And we will try to figure out some solution to the best of our ability.

Nobody has to convince me that $7 for a lease over in Crystal City is something that you cannot do anymore, because I used to have a condominium, a Crystal Gateway condominium, and I know what it was worth. But if you could give us all of this information, it will help us to some extent to try to figure out how we solve this problem.

I thank you all for your cooperation. Admiral Doebler was beautifully silent through the whole proceeding in the second panel; we thank him for staying with us. Thank you all. I appreciate it.

Mr. COOKE. Thank you, Mr. Chairman.

Senator DIXON. The meeting is adjourned.

[Questions for the record with answers supplied follow:]

QUESTIONS SUBMITTED BY SENATOR ALAN J. DIXON

Senator DIXON. You, and several of your colleagues, point out the purported relationship between good working and living conditions and increases in efficiency, readiness, and retention. Does OSD or the military services have any empirical evidence which links facility condition with any of these measures? In budget deliberations at either the service or Department levels, are trade-offs discussed between facility investment and offsetting procurement or recruiting/training costs?

Mr. MEEHAN. First, answering the question of impirical evidence linking facility condition to increases in efficiency, readiness and retention. One of the best examples of increased efficiency and readiness from facilities investment is the Air Force's Tactical Air Command (TAC).

During General Bill Creech's tenure as the TAC commander from 1978–1984, TAC spent $1 billion on facilities, as part of an overall program to improve TAC's readiness. This paid off as TAC's airmen increased aircraft availability and safety, giving TAC the equivalent of an additional 513 fighters worth nearly $7 billion. At the same time, TAC improved its aircrew proficiency by flying 80 percent more training sorties, and its ability to fly fighter missions in the first days of a war doubled. This is illustrated in the following table.

Indicator	1978	1984	Percent improved
Percent of aircraft mission capable	52	83	60
Percent of broken fixed within 8 hours	20	75	275
Flying hours between crashes	13,300	50,000	275
Training sorties per month per aircraft	11.5	20.7	80
Wartime surge capability, sorties per day	3,000	6,000	100

The two bottom lines are TAC's most important output measures. Together, the two indicators mean that each sortie is flown by a much more capable crew, and there are twice as many sorties. Hence, it can be said that TAC's military capability more than doubled.

TAC invested heavily in facilities to enhance pride and professionalism among its people. This lead to significant productivity gains. This same approach has also been used by America's most successful corporations—IBM, 3M, Dana, Marriott, and others. This success has caught on in Defense. What has been recognized and put to practical use in the widely acclaimed turnaround of the Tactical Air Command, is now being applied in such major commands as the Strategic Air Command, and the Army's Training and Doctrine Command. Of course, this attention to facilities is really aimed at the people who make it all happen. Quality facilities foster pride, professionalism, and productivity.

Second, answering the question of how quality facilities add to retention, we have only to look to the latest surveys and Secretary of Defense Frank C. Carlucci's Fiscal Year 1990 Annual Report to Congress. In that report Secretary Carlucci stated: "Current overall retention rates and average longevity are indicators of a quality enlisted force. Between fiscal year 1980 and fiscal year 1988, our enlisted retention rate increased from 80.7 to 83.1 percent, and years of service from 5.55 to 5.99 years during the same period. Basic military compensation and funding for quality-of-life programs, however, must be maintained at competitive levels to ensure proper force strength and quality. In addition, full funding of enlistment and reenlistment bonus programs and education incentives remains essential to our continued success in retaining the required number of highly trained and experienced personnel in shortage specialties and mission-critical technical skills.

DOD members and their families constitute the most important resource supporting our national defense. Their quality of life should reflect the high standards and pride of the American people they defend. We are committed to creating an environment that fosters healthy family interaction and to assisting the family to meet the challenges of the mobile military life style. Key quality-of-life programs include: dependent education, child care, family member employment support, medical and dental care, religious support, relocation assistance, family housing, housing allowances, housing for unaccompanied service members, family support centers, commissaries, and MWR activities.

People programs are the heart of our business. Since fiscal 1982 we have received appropriations for 27,495 new family housing units, some 250,000 new or renovated bachelor housing units, 175 hospital/clinic projects, 130 child-care center projects, 100 physical fitness center projects, 156 school projects, and 44 religious facility projects.

Our overall goal is to ensure that we provide the quality installations needed to execute defense missions effectively in peacetime or in war. We must provide excellent places for our people to work and live, and excellent installation services. Obsolete facilities are expensive. They cost us by lowering productivity, decreasing work quality, and reducing pride. If we want to attract and keep the best people and get the most from them, we must invest more in their living and working environments.

Our quality-of-life and family programs directly affect our ability to man the force and maintain a high degree of readiness. Housing, medical and dental facilities and community support facilities are vital to morale, retention and readiness. Living conditions are very important but so are working conditions. The dramatic effect improved working conditions can have on improved pride and professionalism leading to increased productivity has been clearly demonstrated by the TAC story stated previously.

The issue of quality-of-life versus retention was touched upon in a RAND report by John R. Heller, September 1982. This report established an empirical understanding of second-term reenlistment, assessing the role of both pay and non-pay factors in the reenlistment decision.

To support the analysis, data were drawn from the 1978 DOD Survey of Officers and Enlisted Personnel; completed during the first half of 1979, the survey included nearly 40,000 enlisted personnel from all services. The group of second-termers selected for study (about 2,500) included only those who were in their 6th to their 10th year of service, who had achieved a pay grade of at least E-3, and who had less than 1 year remaining in their second term of service. The typical second-termer in the sample was a 27-year old, white, married male in his 7th year of service; he had completed high school and achieved a pay grade of E-5.

The following table illustrates the relationship of reenlistment behavior to satisfaction with current location (satisfaction with current location was measured in the survey, reenlistment rate reflects the respondent's actual reenlistment behavior).

REENLISTMENT RATE

Category	Army	Navy	Marine Corps	Air Force
Very dissatisfied	0.36	0.28	0.27	0.38
Dissatisfied	.32	.34	.33	.33
Neutral	.33	.26	.45	.50
Satisfied	.46	.43	.43	.56
Very satisfied	.55	.39	.52	.56

These data demonstrate the strong relationship between satisfaction with current location and reenlistment behavior. The Navy's more variant pattern might reflect the respondent's rotation from ship to shore.

The non-pay/satisfaction with current location factors included housing among others and the most recent survey in 1985, surveyed satisfaction with a variety of Quality Facility Dimensions. Some of the results are summarized below:

MILITARY LIFE SATISFACTION WITH MAJOR BENEFITS

[Percent responding excellent or good]

	Enlisted	Officer
Medical care	57.5	55.6
Dental care	57.4	49.8
Commissaries	59.5	66.7
Working environmental conditions	47.8	59.9
Family environmental conditions	38.6	54.7
Availability of military family housing	21.9	23.7
Quality of military family housing	26.4	23.9
Availability of civilian housing	32.9	50.0
Availability of family service centers	56.2	55.0
Recreation facilities	55.5	63.8
Availability of bachelor housing	10.6	14.3
Quality of bachelor housing	12.7	15.0
Availability of goods and services	47.9	53.0
Child care availability on/off base (spouse response):		
CONUS	61	64
OCONUS	29	27

The most recent study is the March 1, 1988, Report on the Relationship Between Facilities Quality and Retention at Military Installations prepared by the Office of the Assistant Secretary of Defense (Force Management and Personnel) for the House of Representatives Committee on Appropriations. A copy of that report is provided for the record.

These results indicate there is still room for improvement in the facilities affecting the living and working conditions of our people.

Concerning trade-off decisions; yes, during the resource allocation process, trade-offs between facility investment and other areas of the Defense budget are discussed within each service and the Department of Defense.

REPORT

ON THE RELATIONSHIP BETWEEN FACILITIES QUALITY AND RETENTION AT MILITARY INSTALLATIONS

Prepared by

The Office of the Assistant Secretary of Defense
(Force Management & Personnel)

March 1, 1988

RELATIONSHIP BETWEEN FACILITIES QUALITY AND RETENTION AT MILITARY INSTALLATIONS

PURPOSE

The purpose of this report is to respond to the direction of the House of Representatives Committee on Appropriations (House Report 100-209; July 9, 1987; page 11) requiring the Department of Defense to study the relationship between the quality of facilities and retention rates at military installations and to report to the Committee by March 1, 1988.

METHODOLOGY

The fundamentally subjective task of measuring the quality of military facilities and the variety of methods used by the Services to compute retention statistics for different purposes necessitated a review of the available methodologies and selection of those that provide the most meaningful and consistent comparisons for the Department of Defense as a whole.

Retention Issues:

Overseas Installations. Retention statistics at overseas installations are skewed because of Service restrictions on overseas reassignment of members whose terms of service would expire prior to completion of the normal tour length associated with the overseas location. Normally, enlisted members receiving such assignments are required to reenlist or extend their periods of obligated service to ensure they will be able to complete the overseas tour requirement. Such reenlistment or extension must occur prior to the member's departure for the overseas location. For this reason, members serving at overseas locations experience different reenlistment decision patterns than those serving in the United States. Overseas locations were excluded from this study in an effort to avoid any location-specific bias that might be due to this difference.

Reenlistment vs. Continuation Rates. Although reenlistment rates are the most frequently publicized measures of retention for enlisted members, different Services express retention requirements and objectives in somewhat different ways. Some set reenlistment objectives, while others establish continuation targets that account for both reenlistments and shorter-term extensions. Although all Services monitor reenlistment statistics, some do not track this data at the installation level.

For the purpose of this study, the Department measured continuation rates, which entailed a two-step methodology. First, computer records at the Defense Manpower Data Center identified the population of military personnel serving at each installation (identified by postal Zip Codes) on the first day of a fiscal year. Second, computer files for the first day of the subsequent fiscal year were screened to determine how many members of the previous year's population were still on active duty (although not necessarily at the same installation). This data provided an annual continuation rate that could be measured for members assigned to a specific installation at a specific time.

Screening of Institutional/Behavioral Anomalies. The initial continuation rate screening, which considered the entire population of enlisted personnel, revealed two potential anomalies. First, continuation rates tended to be relatively concentrated in the range between 80 and 90 percent for most installations, particularly for the Air Force. Second, the installations with the highest continuation rates for all Services proved to be those with primarily a training mission.

A subsequent screening was undertaken to eliminate potential biases associated with very junior personnel--who are concentrated at training bases and who will nearly all continue for at least another year of service--and very senior personnel--most of whom are predisposed to continue until retirement. This screening excluded members with less than 18 months of service or more than 12 years of service. To protect against sampling problems, the review was limited to installations with at least 750 people meeting these criteria. Although the results indicated somewhat more variation in rates, training bases also tended to dominate higher-retention installations on this iteration as well.

Recognizing that some of technical training schools can entail more than 12 months of schooling, a third screening was conducted to ensure elimination of any student bias. This iteration examined only personnel with between 3 and 12 years of service and installations with at least 400 members in these year groups.

A final review removed three installations from the lower-retention grouping to avoid a possible institutional bias involving medical or separation processing centers. Walter Reed Hospital was removed from the Army listing to preclude measuring data concerning substantial numbers of patients pending medical discharges. Treasure Island, California, and NAS Philadelphia, Pennsylvania--the Navy's major separation processing centers on each coast--also were removed to preclude biasing installation data with large concentrations of members already pending separation.

Installation-Specific Data Consistency. Because continuation rate experience may vary from year to year and because rates for most installations tend to fall within a relatively narrow range, the study examined several years' experience in an effort to identify installation-specific differentials that were sustained over time. Continuation rates were calculated for fiscal years 1985, 1986, and 1987.

Installations were arrayed in order of descending continuation rate for each year, and an initial screening identified those installations whose rates fell in the top or bottom quartile for each of the 3 fiscal years. In some cases, this criterion alone proved insufficient. For most Services, and particularly for the Air Force, statistics for bases near the margins of these two quartiles did not differ significantly from the median rate. Thus, an additional review was conducted to identify those installations that not only appeared consistently near the top or the bottom of the Service rankings, but which also consistently placed at least several percentage points above or below the median continuation rate for that Service in each year surveyed. This process eliminated many Air Force installations, because continuation rates for the Air Force varied within a relatively narrow band, and relatively small changes in an installation's continuation rate from one year to the next yielded significant changes in the installation's relative ranking.

Individual installation rankings and statistics are provided in Appendix A. The following table summarizes key statistics for each Service.

TABLE 1

SUMMARY OF FINDINGS FROM REVIEW OF LOCATION-SPECIFIC RETENTION PATTERNS

	ARMY	NAVY	MARINE CORPS	AIR FORCE
Higher Retention Bases/Posts (Average Continuation)	6 (88.2%)	4 (92.4%)	3 (88.8%)	3 (88.1%)
Lower Retention Bases/Posts (Average Continuation)	2 (75.5%)	2 (74.3%)	2 (65.7%)	1 (79.0%)
Average Rate Differential	12.7	18.1	23.1	9.1
Survey Locations	48	59	17	85

Facilities Issues:

Definition/Measurement. Measurement of the quality of the facilities at military installations poses an even greater challenge. In a general context, facilities may be interpreted as including structures, furnishings and equipment in the work environment, in the home environment (family and bachelor quarters), and in the services arena. Military members and their families are directly affected by both the quantity and quality of facilities available at military installations, but such considerations are extremely difficult to quantify in meaningful terms.

For example, perceived availability and quality of facilities may be largely dependent on the civilian environment around the installation. In a relatively isolated location, limited exchange, commissary, housing, recreation and other facilities will have a much greater impact than in an area where there is ready access to comparable facilities on the civilian economy. In high-cost metropolitan areas, availability of these military facilities may be critical to many members' ability to live within the means provided by their military compensation.

In the workplace, older buildings may serve very well when well-maintained, whereas failure to replace outmoded equipment may severely limit productivity and professional sense of accomplishment. At small installations, construction of a new major facility may significantly improve the quality of the work or home environment for the majority of the population. At a very large installation, a substantial renovation project may affect only a relatively small minority of the assigned population.

The Department believes that provision of adequate facilities contributes materially to military productivity, fosters a sense of professional pride among those who serve, and represents to military people one tangible acknowledgement that the Nation values and appreciates their service. However, the wide variety of facilites at each installation and the vast range of facility characteristics in terms of utility, age, cost, size, complexity, state of repair, range of services, effectiveness of management, etc.; make it extremely difficult to assign incremental values to these disparate measures. Thus, a prospective evaluator is virtually incapable of assessing the overall quality of a given installation's facilities except in very subjective ways. The following sections address several measurement alternatives investigated during the course of the Department's study.

Quality of Life Survey Data. The Defense Manpower Data Center maintains response data from the Department of Defense Survey of Military Personnel, which is conducted periodically on a world-wide basis. The last such survey was conducted in 1985. Several questions on the survey are relevant to this study. These questions asked participants to indicate their feelings about several aspects of their current assignment location, including: availability of military housing, quality of military housing, availability of goods and services at the installation, availability of recreational facilities, availability of family service/support center, and the quality of the environment for children. Respondents could choose from seven possible answers: "Excellent," "Good," "Fair," "Poor," "Very Poor," "Does Not Apply," and "Don't Know."

Response data for this survey was examined in two different ways. In the first review, a computer listing of all respondents was established from the 1985 survey base. Second, a screening was conducted to determine the active duty status of all 1985 respondents as of September 30, 1987. Responses were then compared for those members who were still on active duty in 1987 versus the responses for those who had separated during the intervening two years (members who had retired were excluded from the comparison). Table 2 compares the positive and negative responses of each group. For example, the first column shows the proportion of respondents still on active duty (excluding those who answered "Does Not Apply" or "Don't Know") who responded positively to the question indicated. This table indicates that members who were still on active duty in 1987 had given more positive evaluations in 1985 than those who had separated.

TABLE 2 **

COMPARISON OF SURVEY RESPONSES BASED ON RESPONDENTS' SUBSEQUENT CONTINUATION VS. SEPARATION DECISIONS

	RATING OF "GOOD" OR BETTER		RATING OF "POOR" OR WORSE	
	ACTIVE	SEPARATED	ACTIVE	SEPARATED
availability of military housing	25%*	21%*	50%*	54%*
quality of military housing	30%*	26%*	34%*	37%*
availability of goods/services	50%	48%	17%	18%
recreation facilities	57%*	50%*	13%*	17%*
family service center	60%*	56%*	10%	11%
environment for children	53%*	44%*	13%*	18%*

* For asterisked issues, the differences in survey responses between the two groups are statistically significant at the .01 level (i.e., statistical analysis indicates that, in each case, there is less than a 1% probability that the difference is attributable to chance).

** A separate comparison examined responses of only married members or those with dependents and found very similar results, except that the "quality of military housing" differential did not meet the .01 level of significance standard.

A subsequent iteration selected only respondents who had been stationed in 1985 at one of the 23 installations identified in Appendix A as being consistently above or below average in terms of continuation rates. The intent of this iteration was to determine whether there was a measurable difference between the availability/quality of facilities at the higher-retention and lower-retention bases--as measured by the respondents' answers to these questions. Table 3 summarizes findings in this area. For example, the first column shows the share of all respondents stationed at the installations with consistently above-average continuation rates who gave positive responses to the indicated questions. This table indicates that members at the higher-retention installations did give more positive evaluations and fewer negative evaluations.

TABLE 3

COMPARISON OF SURVEY RESPONSES AT
HIGHER- VS. LOWER-RETENTION INSTALLATIONS

	RATINGS OF "GOOD" OR BETTER		RATINGS OF "POOR" OR WORSE	
	HIGHER RETENTION BASES	LOWER RETENTION BASES	HIGHER RETENTION BASES	LOWER RETENTION BASES
availability of military housing*	29%*	23%*	45%*	53%*
quality of military housing	33%*	29%*	31%*	37%*
availability of goods/services	55%*	51%*	15%	15%
recreation facilities	60%*	54%*	12%*	15%*
family service center	63%*	59%*	9%	9%
environment for children	59%*	49%*	11%*	16%*

* For asterisked issues, differences in survey responses between the two groups are statistically significant at the .01 level (i.e., statistical analysis indicates that, in each case, there is less than a 1% probability that the difference is attributable to chance).

Because the survey data, of necessity, deal with the respondents' perceptions of facilities quality, it is appropriate to recognize some potential for uncertainty concerning the validity of these perceptions. For example, individuals who are satisfied with military life in general may tend to give more favorable responses to a spectrum of specific questions regarding facilities, compensation, and other issues, whereas members who are less satisfied may give more negative responses across the board. The issue of principal concern is whether the perceptions expressed in the survey helped cause the subsequent retention/separation behavior or whether the responses merely reflect the members' level of overall satisfaction with military life.

The Department of Defense believes that whatever impact facilities quality exerts on retention is largely determined by military members' perceptions of those facilities. While survey response data may require close scrutiny and critical analysis, it provides the most reasonable measure of these perceptions. As indicated in the following section on exit surveys, other issues appear to be more significant determinants of retention behavior. Therefore, perceptions of facilities quality and availability should properly be viewed as contributing factors--but not necessarily determining factors--in members' subsequent continuation decisions.

Service Exit Surveys. Each of the Services conducts periodic exit surveys of separating members, soliciting feedback on the principal reasons for the members' separation decisions. This data was examined in an effort to ascertain the impact of facilities-related concerns in such decisions.

The most recent Army survey, conducted in 1983, asked separating members to rate 34 different factors in terms of these factors' relative importance in making their decisions to separate. Rating options ranged from 1 (not important) to 5 (very important). None of the factors in the Army survey addressed facilities issues. The issue most frequently rated as "very important" to the member's decision was the availability of an attractive civilian employment opportunity (53% of respondents).

Data from Marine Corps exit surveys during fiscal years 1985-1987 addressed only separating members in grade E-4 and lower grades. Most participants were members of the Fleet Marine Forces, who are deployed during the bulk of their period of obligated service. The survey contained a list of 30 possible reasons for separation and asked respondents to indicate up to 3 reasons that were most important in their case. The two most frequently mentioned "most important reasons" for separation were "pay and allowances too low" and "not enough promotion opportunity" (each cited by 26% of respondents). "Military housing not available or of low quality" was cited by 5% of the participants, largely reflecting the preponderance of single members in this relatively junior survey population.

The most recent (FY1986) Air Force exit survey of enlisted personnel yielded results similar to the Army data. The most frequently mentioned "extremely important" reason for separation (53% of respondents) cited higher pay in civilian jobs; 43% cited better civilian job opportunities. Although there were no reasons listed which uniquely addressed facilities issues, the 6th most frequently mentioned "extremely important" response (36% of respondents) was "Better working conditions in civilian jobs," which may imply consideration of work environment, equipment or related factors.

The results of a fiscal year 1987 exit survey of Navy enlisted members indicate that the most important issue affecting these members' retention decisions is the dislike of family separation--rated as an "extremely important" factor by 40% of those surveyed. Also most frequently rated as "extremely important" were the desire for a permanent residence (31%) and low pay (26%). However, 17% of the respondents indicated that the availability and quality of Navy housing would be a "very important" or "extremely important" factor in their reenlistment/separation decision.

Installation Excellence Awards. The three Military Departments conduct annual competitions for the Commander-in-Chief's Annual Award for Installation Excellence. This award is given to one installation in each Service to recognize outstanding performance in installation operations and maintenance. In addition, the Secretary of Defense annually awards Commander in Chief's Special Recognition Certificates to other deserving installations nominated for the Installation Excellence Award. In making these selections, emphasis is placed on imaginative and innovative management actions to ensure mission accomplishment, increase productivity, and improve the quality of life for military members and families.

A review of the installations receiving awards and certificates in 1985 and 1986 yielded a total of 23 installations which also were represented in the study of retention statistics discussed earlier in this report. Of these, only three were among the group of installations for which retention statistics were either consistently higher than average or lower than average--two in the higher-retention group and one in the lower-retention group. Considering only retention statistics for the year in which the award was given for each installation, 14 of the installations exhibited retention experience above the parent Service's median retention figure, and 9 were below the median.

Although these award-winning installations tended to exhibit better-than-average retention on an aggregate basis, the utility of this data in determining a relationship between facilities quality and retention was judged as limited because facilities initiatives represent only one of many factors in the award selection process.

CONCLUSIONS:

It is clear from exit survey data that issues such as compensation programs, civilian employment opportunities, family separation, and other considerations play the most important role in military members' retention decisions.

Nevertheless, survey data also indicate that there is a significant correlation between military members' perceptions of the availability and quality of specific types of military facilities and these members' decisions to continue in service or separate. Members who subsequently continued to serve on active duty tended to give more positive evaluations of such facilities than members who subsequently separated. Correspondingly, members who subsequently separated tended to give more negative ratings than those who continued in service. The share of members who provided neutral ratings was roughly equal for both groups.

This correlation was confirmed in a separate analysis of survey responses at military installations which tended to have consistently higher-than-average or lower-than-average retention experience for each year during fiscal years 1985 through 1987. The survey population at the higher-retention installations tended to give more frequent positive ratings concerning their installation's facilities than respondents at lower-retention bases. Similarly, the population at installations with lower retention experience tended to give more frequent negative facilities ratings than those at higher-retention posts.

Although this study was unable to develop objective measures of facilities quality, the Department of Defense believes that the real effect of facilities quality on retention is determined by the perceptions of military members themselves. Since their behavior is principally influenced by their own perceptions, the survey data that reflects these perceptions is more meaningful for purposes of measuring this linkage than any purportedly objective measures the Department might attempt to construct.

APPENDIX A

SUMMARY OF HIGHER-RETENTION AND LOWER-RETENTION INSTALLATIONS*

ARMY

ZIP CODE	LOCATION	CONTINUATION RATE (RANKING)** FY 87	FY 86	FY 85
93940	Monterey, CA	91.1% (1)	92.3% (1)	92.4% (1)
36205	Ft McClellan, AL	90.7% (2)	89.8% (2)	87.2% (3)
78234	Ft Sam Houston, TX	89.0% (3)	87.2% (6)	86.7% (6)
20310	Pentagon	88.1% (4)	83.3% (13)	85.5% (8)
23801	Ft Lee, VA	87.2% (6)	88.0% (5)	89.5% (2)
46216	Ft Benj Harrison, IN	87.1% (7)	85.3% (9)	86.9% (5)
MEDIAN		81.2%	79.8%	81.3%
92310	Ft Irwin, CA	77.6% (44)	76.9% (39)	73.5% (41)
66442	Ft Riley, KS	77.5% (45)	73.9% (43)	73.5% (42)
Total locations surveyed***		48	44	44

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* Continuation rate measures percentage of members (sample group addressed in *** below) stationed at the indicated location who are still on active duty 1 year later.

** Ranking indicates relative ranking of Army installations by continuation rate for the year indicated. The list of installations shown includes only those exhibiting continuation rates which appeared in the upper or lower quartile for at least 2 of the 3 fiscal years and which differed from the median by at least 3 percentage points in each of the 3 years.

*** Locations which, on the first day of the fiscal year, had at least 400 enlisted members with at least 3 but no more than 12 years of active service.

SUMMARY OF HIGHER-RETENTION AND LOWER-RETENTION INSTALLATIONS*

NAVY

ZIP CODE	LOCATION	CONTINUATION RATE (RANKING)** FY 87	FY 86	FY 85
06340	New London, CT	96.3% (1)	93.1% (1)	94.2% (1)
83403	Idaho Falls, ID	92.8% (3)	92.5% (3)	91.7% (3)
32511	Pensacola, FL	92.7% (4)	91.5% (5)	92.7% (2)
92133	NAS Miramar, CA	90.4% (6)	89.5% (9)	90.8% (6)
	MEDIAN	83.4%	82.7%	83.2%
02841	Newport, RI	72.1% (55)	74.7% (56)	80.1% (41)
28542	Camp Lejeune, NC	69.1% (56)	70.2% (58)	79.3% (43)
Total locations surveyed***		56	59	56

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* Continuation rate measures percentage of members (sample group addressed in *** below) stationed at the indicated location who are still on active duty 1 year later.

** Ranking indicates relative ranking of Army installations by continuation rate for the year indicated. The list of installations shown includes only those exhibiting continuation rates which appeared in the upper or lower quartile for at least 2 of the 3 fiscal years and which differed from the median by at least 3 percentage points in each of the 3 years.

*** Locations which, on the first day of the fiscal year, had at least 400 enlisted members with at least 3 but no more than 12 years of active service.

SUMMARY OF HIGHER-RETENTION AND LOWER-RETENTION INSTALLATIONS*

MARINE CORPS

ZIP CODE	LOCATION	CONTINUATION RATE (RANKING)** FY 87	FY 86	FY 85
38054	Memphis, TN	91.5% (1)	88.6% (1)	93.3% (1)
29905	Paris Island, SC	89.2% (2)	87.1% (3)	84.7% (4)
92140	Recr Sta San Diego, CA	88.6% (3)	88.1% (2)	87.7% (2)
	MEDIAN	77.7%	76.2%	76.9%
92055	Camp Pendleton, CA	66.7% (16)	68.7% (16)	66.5% (15)
28542	Camp Lejeune, NC	64.6% (17)	64.6% (17)	63.2% (16)
Total locations surveyed***		17	17	16

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* Continuation rate measures percentage of members (sample group addressed in *** below) stationed at the indicated location who are still on active duty 1 year later.

** Ranking indicates relative ranking of Army installations by continuation rate for the year indicated. The list of installations shown includes only those exhibiting continuation rates which appeared in the upper or lower quartile for at least 2 of the 3 fiscal years and which differed from the median by at least 3 percentage points in each of the 3 years.

*** Locations which, on the first day of the fiscal year, had at least 400 enlisted members with at least 3 but no more than 12 years of active service.

SUMMARY OF HIGHER-RETENTION AND LOWER-RETENTION INSTALLATIONS*

AIR FORCE

ZIP CODE	LOCATION	CONTINUATION RATE (RANKING)** FY 87	FY 86	FY 85
61868	Chanute AFB, IL	90.8% (1)	88.1% (6)	87.0% (1)
76311	Sheppard AFB, TX	90.2% (2)	88.2% (5)	86.1% (5)
39534	Keesler AFB, MS	88.7% (5)	87.9% (7)	86.3% (4)
MEDIAN		85.6%	84.7%	81.7%
92394	George AFB, CA	82.3% (73)	77.9% (85)	76.7% (81)
Total locations surveyed***		84	85	82

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* Continuation rate measures percentage of members (sample group addressed in *** below) stationed at the indicated location who are still on active duty 1 year later.

** Ranking indicates relative ranking of Army installations by continuation rate for the year indicated. The list of installations shown includes only those exhibiting continuation rates which appeared in the upper or lower quartile for at least 2 of the 3 fiscal years and which differed from the median by at least 3 percentage points in each of the 3 years.

*** Locations which, on the first day of the fiscal year, had at least 400 enlisted members with at least 3 but no more than 12 years of active service.

→ AP
Exp: 04

THE OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301-8000

PRODUCTION AND
LOGISTICS

FEB 25 1988

MEMORANDUM FOR DEPUTY ASSISTANT SECRETARY OF DEFENSE (MILITARY MANPOWER & PERSONNEL POLICY)

SUBJECT: Report to Congress on Relationship Between Facilities Quality and Retention

Tony—

Your proposed report on the relationship between facilities quality and retention is an excellent piece of work and I'm sure it will be a big help in justifying our construction requests before the Congress!

I appreciate the effort your staff has put into the report and concur with it as written.

Bob
Robert A. Stone
Deputy Assistant Secretary of Defense
(Installations)

I love it. I'll use it.

DEPARTMENT OF THE NAVY
OFFICE OF THE CHIEF OF NAVAL OPERATIONS
WASHINGTON, DC 20350-2000

IN REPLY REFER TO

26 Feb 88

MEMORANDUM FOR THE DEPUTY ASSISTANT SECRETARY OF DEFENSE
(MILITARY MANPOWER & PERSONNEL POLICY)

Subj: REPORT TO CONGRESS ON RELATIONSHIP BETWEEN FACILITIES QUALITY AND RETENTION - INFORMATION MEMORANDUM

Encl: (1) DASD (MM&PP) memo of 18 Feb 88

1. I am responding to enclosure (1) concerning the required DOD report to the congress on the relationship between facilities quality and personnel retention.

2. The Deputy Chief of Naval Operations (Manpower, Personnel and Training) (OP-01) concurs with the proposed report.

R. W. West Jr.

R. W. WEST, JR.
Rear Admiral, U.S. Navy
Director, Pride, Professionalism
and Personal Excellence Division

Copy to:
VCNO
ASN(M&RA)
CNO (OP-04, 806)

FEB 26 '88 16:30 [illegible] P.2

17

DEPARTMENT OF THE NAVY
HEADQUARTERS UNITED STATES MARINE CORPS
WASHINGTON, D.C. 20380-0001

IN REPLY REFER TO
MPP-41
5000
26 FEB 1988

MEMORANDUM FOR THE DEPUTY ASSISTANT SECRETARY OF DEFENSE
(MILITARY MANPOWER AND PERSONNEL POLICY)

Subj: REPORT TO CONGRESS ON RELATIONSHIP BETWEEN FACILITIES QUALITY AND RETENTION

Ref: (a) Your memo of 18 February 1988

1. Per the reference, your report has been reviewed. We concur with forwarding it to the House Appropriations Committee.

Gail M. Reals

GAIL M. REALS
Brigadier General
U.S. Marine Corps
Director, Manpower Plans
and Policy Division

DEPARTMENT OF THE NAVY
HEADQUARTERS UNITED STATES MARINE CORPS
WASHINGTON, D.C. 20380-0001

IN REPLY REFER TO
LF
29 Feb 88

MEMORANDUM FOR THE DEPUTY ASSISTANT SECRETARY (MILITARY MANPOWER AND PERSONNEL POLICY)

Subj: REPORT TO CONGRESS ON RELATIONSHIP BETWEEN FACILITIES QUALITY AND RETENTION

I have reviewed the subject report and, from a Facilities point of view, concur with it.

Michael P. Downs

MICHAEL P. DOWNS
Brigadier General, U.S. Marine Corps
Director, Facilities and Services Division
Installations and Logistics Department

DEPARTMENT OF THE AIR FORCE
HEADQUARTERS UNITED STATES AIR FORCE
WASHINGTON, D.C. 20330 - 5130

25 FEB 1980

MEMORANDUM FOR DEPUTY ASSISTANT SECRETARY (MILITARY MANPOWER & PERSONNEL POLICY), OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE (FORCE MANAGEMENT & PERSONNEL)

SUBJECT: Facilities Quality and Retention - INFORMATION MEMORANDUM

The Report to Congress confirms our long standing belief that there is a positive relationship between quality facilities and retention of our quality forces. I cannot verify the statistics but fully believe in statements you have made in the Report.

SIGNED
CHARLES P. SKIPTON, MAJ GEN, USAF
Asst DCS/Logistics & Engineering

DEPARTMENT OF THE AIR FORCE
HEADQUARTERS UNITED STATES AIR FORCE
WASHINGTON, D.C.

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26 February 1988

MEMORANDUM FOR DEPUTY ASSISTANT SECRETARY
(MILITARY MANPOWER & PERSONNEL POLICY) K
OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
(FORCE MANAGEMENT AND PERSONNEL)

SUBJECT: Report to Congress on Relationship Between Facilities Quality and Retention (Your Memo, 16 Feb 88) - INFORMATION MEMORANDUM

I concur with the Department's report on the relationship between the quality of facilities and the retention of personnel at military installations. The Air Force is committed to providing an environment conducive to enhancing career decisions, instilling esprit de corps and improving productivity.

The condition of Air Force facilities directly affects combat capability. Military family housing, airmen dormitories, dining halls and community/recreational facilities help provide for our people's basic needs. They also contribute substantially to productivity, morale and welfare, and retention of quality people.

Thomas J. Hickey
THOMAS J. HICKEY
Lieutenant General, USAF
Deputy Chief of Staff, Personnel

Telephonic concurrences received from:

- ODCS/Personnel, U.S. Army
- Office of the Chief of Engineers, U.S. Army
- ODCNO/Logistics, U.S. Navy

BASE CLOSURE ACCOUNT

Senator **Dixon**. Mr. Meehan, the Department has requested $500M for both fiscal year 1990 and fiscal year 1991 to capitalize the Base Closure Account. In previous testimony, the Base Closure Commissioners stated that they believed that only $300M was needed, and former Secretary of Defense Carlucci stated that he added the $500M into each year's budget as a funding wedge without knowing the actual requirements.

Now that the Commission's recommendations have been analyzed, can you provide a detailed justification for the Account's funding for these years? In addition to other expenses, do you now have a list of MILCON projects by installation which will have to be funded out of this account during these years?

Mr. **Meehan**. The Department is working on detailed justification for the Base Closure Account's funding, and should be able to provide your committee by June 30. The information will include a list of MILCON projects by installation for fiscal year 1990 and 1991.

Secretary Cheney has recently testified that the Department will need the full $500M in each fiscal year. In fact, the services could obligate more and therefore approval of DOD's request for transfer authority is also critical.

TURN KEY CONSTRUCTION

Senator **Dixon**. Mr. Meehan, the Department is asking that the turn key construction authority be extended. Why have we not seen more of these initiatives? Of those which are now under contract, do you have any estimate of the savings which results from this contracting and construction approach?

Mr. **Meehan**. There are many design and construction contracting methods used within the industry, and most of them are already allowable within existing Federal Acquisition Regulations. The DOD construction agents have the flexibility to tailor the delivery strategy to the specific needs of their projects. For the majority of our work, the traditional design-bid-build process is the most appropriate; however, as the need arises, other procedures such as performance specifications, source selection, cost plus, etc., may be used. Special legislation was required to permit use of this specific type of turnkey construction, and that's why the congressional authority was provided—to permit evaluation of proposals based on both technical and price considerations and select the contractor that will provide the best quality within the funds available.

Twenty-six military construction projects have been authorized for one-step turnkey contracts since the authority was provided. As projects are completed we will be collecting data on benefits of this contract type. The merits of this procurement strategy are not necessarily defined as cost savings. For example, an Air Force emergency construction project to replace a dining facility destroyed by fire was completed 8 months sooner than if the traditional design-bid-build process had been used. Although minor cost and time savings were realized (as compared with conventional methods), the Navy's experience with two bachelor enlisted quarters resulted in constrained cost growth during construction because of the single point for design/construction responsibility, and the contract was successfully completed within funds available. The Army's report on two physical fitness centers stressed the benefit of selecting the best quality facility for the money. We believe continued, unrestricted authority to use this procurement method will enable the Department to continue to streamline the delivery of needed construction projects and provide another tool to acquire quality facilities for our service people.

ARMY FACILITIES FUNDING

Senator **Dixon**. General Offringa, if I understand your testimony, the Army's strategy to get through this austere funding period is:

1. Repair what is needed;
2. Renovate existing facilities; and
3. Construct new facilities only as a last resort.

How does your current budget request and the other years of the FYDP support this strategy? Your construction funding seems to have peaked in fiscal year 1985 and declined marginally since then, while your operations and maintenance funding peaked in fiscal year 1987 and remained stagnant ever since. All the indicators I can see: 1 percent facility revitalization rate for most facilities and less than .5 percent revitalization in family housing, and a repair backlog approaching the levels witnessed in the days of the hollow Army, suggest that the Army is not funding either its construction or repair accounts.

General Offringa. It is true that neither investments nor operations and maintenance are funded at adequate levels. The purpose of the facilities strategy was to protect Operations and Maintenance funding from further reductions even though the accounts were underfunded to begin with. "Construct new facilities only as a last resort" was intended to emphasize the full utilization of all existing facilities. Many existing inadequate facilities will continue to be utilized in lieu of newly constructed facilities until the current constraint on MILCON is relieved. If revitalization is increased towards a 2-percent level, the Army will balance increased funding between both investment accounts and Operations and Maintenance accounts.

FACILITY MAINTENANCE BACKLOG

Senator Dixon. General Offringa, how much would need to be added to the Army's budget in order to stabilize—not reduce—your facility backlog?

General Offringa. In order to stabilize the Army's backlog, the annual recurring requirements (ARR) for the repair and maintenance of facilities, to include family housing must be met, as well as additional cost due to deterioration and inflation until the repair work is done. Current funding for the Operations and Maintenance, Army maintenance and repair account only satisfies 80 percent of the total ARR requirement, and current funding for the family housing satisfies 88 percent of funds required to meet annual maintenance and repair needs. To achieve stabilization, the Army budget would have to increase by approximately $1 billion ($774 million for the Operations and Maintenance, Army appropriation; $230 million for the Army family housing maintenance and repair account; and, an estimated $75 million for the Research, Development, Test and Evaluation and Other Procurement, Army accounts).

HOST NATION SUPPORT

Senator Dixon. General Offringa, in discussing host nation support; you mentioned the facilities which are being provided by the Governments of Korea and Japan. Are you aware of any initiatives to broaden the criteria of projects which either nation would fund under these programs?

What is the value of the new facilities which the Army receives under the NATO infrastructure program?

General Offringa. In Korea, there are no initiatives to change the host nation support criteria, but the Korean Government has expressed a willingness to consider certain ammunition storage and training range projects, even though these projects are not within the present criteria for funding. In Japan, the current agreement between the U.S. and Japanese Governments is that only projects eligible for MILCON funding which are defensive in nature can be funded by the host nation. This criteria is being revised to incorporate nonappropriated fund projects. The value of new facilities for USAREUR which has been approved under the NATO Infrastructure Program can be summarized under current 6-year program Slice 36–41 (fiscal year 1985–1990).

Program	Description	Number of projects	Amount (million)
AH-64	Operation facilities, MF	2	$11.24
Pii-SEP	Site security	11	8.42
LRSP-WADS	Site security	26	28.35
PATRIOT	Operation facilities, MF	6	28.66
RSC—Seaport of Deb.	Seaport facilities	3	21.28
POMCUS	Storage warehouse, MF	40	130.77
Theater Reserve	Storage warehouse, MF	32	105.64
WHNS	Storage warehouse, MF	34	41.37
Ammunition	Ammunition igloos	19	167.7
Emergency Water Crossing	Bridges, roads	61	89.44
FSTS	Storage facilities	7	48.87
Total		241	681.8

Since Slice 39 (fiscal year 1988), our annual program has been approximately $120–140M/yr. Our long-range planning for fiscal year 1991–1996 period for an additional $700M in Infrastructure spending; however, this could be tempered by proposed cuts to NATO. Prior to Slice 36 (fiscal year 1985), no estimate was made. However, I believe at least $500M was spent on existing SAM sites (HAWK, PATRIOT), Pershing, LRSP, Forward Storage Sites and RSC Storage sites.

OVERSEAS FORCE REDUCTIONS

Senator DIXON. We have read with interest the recent communique from the NATO summit supporting President Bush's proposal to reduce by 10 percent troop strength in Europe. I notice that the Army chose to reduce its MILCON in Europe substantially when you revised your fiscal year 1990 budget request. Was this in anticipation of this announcement? Has the Army analyzed its overseas construction request to identify modernization projects which could be deferred pending the outcome of the conventional force reduction negotiations? Would you do so for the record?

General OFFRINGA. The reduction to Europe's fiscal year 1990 military construction (MILCON) request was not made in anticipation of President Bush's proposal to reduce strength in Europe. The Army will continue to support construction projects in Europe that have high priorities.

The fiscal year 1990 MILCON request supports the Army's long-term requirements in Europe, such as the Combat Maneuver Training Complex at Hohenfels and the fielding and stationing of modern aviation assets.

It is premature to predict the results of the ongoing negotiations to reduce conventional forces. Until the results of the negotiations become known, the Army is committed to provide the facilities needed for its forward deployed forces in Europe. To do anything less would weaken the U.S. negotiating position. If and when there is an indication that a particular Army unit will be withdrawn under the terms of the treaty, care will be taken to avoid investing resources in facilities at its location(s).

OVERSEAS MILCON

Senator DIXON. Has the Air Force analyzed its fiscal year 1990 and 1991 overseas construction request in light of the Bush administration initiative to negotiate a 10-percent reduction in U.S. forces in Europe?

General AHEARN. No. The MILCON request was submitted before the reduction initiative was proposed by the President.

Senator DIXON. For the record, would you review your request and indicate which projects could be deferred pending the results of these negotiations?

General AHEARN. A review would be premature at this time pending specific guidance from the office of the Secretary of Defense on force reductions in Europe.

Senator DIXON. I notice that your request includes about $21M in U.S. financed facilities at the proposed new air base in Crotone, Italy. How much of the NATO Infrastructure request represents the U.S. share of this initiative?

General AHEARN. The $21M represents the U.S. funded facilities in the fiscal year 1990 and 1991 programs for recreational facilities and an air-to-ground training range. The total NATO Infrastructure cost for the new air base at Crotone, Italy is estimated at $827.3 million of which the U.S. share, to the NATO Infrastructure program, is 28 percent or $231.4 million. In addition, another $181.3M for family housing will be reimbursed by the United States to the NATO Infrastructure account over a 10 year period.

Senator DIXON. The Air Force continues to request substantial funds to construct family housing at Clark AB, Philippines. I believe there is some $37M in fiscal year 1990 for 450 units. In light of the forthcoming base rights negotiations, why does the Air Force not take other interim steps to reduce the number of families at Clark until we can make a prudent judgement whether this kind of investment is prudent?

General AHEARN. Off-base housing at Clark AB is totally inadequate. For example, in many cases there is no potable water, extremely limited telephone service, frequent power outages, unsurfaced streets with lack of storm drainage and sewage collection systems. In order to accomplish the complex mission in the western Pacific, long accompanied tours are required. Accompanied tours are the most effective way to achieve these longer tours. In addition, the security environment around the base, including reports of communist insurgent threats to our service members and their families convince us that it is prudent to proceed with this construction program.

Senator DIXON. It is evident that the Air Force leadership is committed to providing affordable, modern housing for its personnel. Are you familiar with an Army initiative to increase substantially the number of leases it manages for its personnel in Germany?

General Ahearn. We are currently pursuing a leasing program for Rhein-Main AB, Germany, similar to the Army's Government Rental Housing Program (GRHP). It calls for 100 leases at a cost of $1,200,000.

Senator Dixon. Is this program useful to meet Air Force family housing needs and do you have any plans to adopt such a scheme for your personnel in Europe?

General Ahearn. If it proves successful, we will expand on the program to cover other locations.

REVISED CAPEHART

Senator Dixon. The Air Force is devoting substantial resources to the renovation of its family housing stock. Even so, you state that it will take 22 years to renovate these assets. Are there ways to reduce this time, perhaps using public/private schemes such as the Capehart Housing Authority?

General Ahearn. There are at least two ways to reduce the time required to renovate our current backlog of housing. The first would be a significant increase in appropriated funding for housing improvements. The second would be a revised Capehart program. The Air Force strongly supports a revised Capehart plan, and recently completed a thorough study on the subject. Copies of the study have been delivered to the four MILCON subcommittees.

Senator Dixon. Would the Air Force support such a legislative initiative?

General Ahearn. Yes, the Air Force would support a legislative initiative to review the Capehart program.

MAINTENANCE BACKLOG

Senator Dixon. Fiscal year 1987 appeared to be a high water mark in funding of facility repair and maintenance. Since then your backlog of repairs have risen substantially. How much would need to be added to your O&M budget just to stabilize—not reduce—your backlog?

General Ahearn. To stabilize the backlog at the fiscal year 1989 level, the Air Force would need an additional $250 to $270 million in the maintenance and repair account each year of the budget. This would contain the backlog at just over $1 billion.

WHITEMAN AFB, MISSOURI

Senator Dixon. The Air Force has requested about $100 million in construction at Whiteman AFB, Missouri, in fiscal year 1990, and slightly more in fiscal year 1991 to support the initial beddown of the B-2 bomber. According to General Welch, the AF Chief of Staff, the first new aircraft will not arrive at Whiteman until 1992 under the service's revised procurement profile. Has the construction schedule been adjusted to the delays which have been experienced in this program?

General Ahearn. The Air Force has reviewed the fiscal year 1990 and 1991 requirements and determined that project deferral is not warranted. While the revised B-2 procurement schedule delays delivery of the first aircraft by approximately 8 months, deliveries are back on the original schedule by arrival of the 10th aircraft. The Air Force needs to have the Whiteman B-2 beddown package fully authorized by fiscal year 1993. Coordinating and integrating arrivals of personnel, equipment, aircraft, and supplies along with operational requirements is an extremely complicated process. In almost all instances, facility completion is the common denominator of success. As a result, deferrals cause schedule perturbations which greatly complicate every facet of the B-2 beddown.

Senator Dixon. What is the latest that the fiscal year 1990 and 1991 projects could be authorized and still have sufficient support capability ready to accommodate the first aircraft delivery as currently scheduled?

General Ahearn. While all facilities requested in fiscal year 1990 and 1991 are not required to specifically support arrival of the first aircraft, authorization is required in those years to support an efficient and manageable beddown construction program at Whiteman. With the revised delivery schedule, most facilities will precede the Air Force need dates only by a few months. The delay does provide relief for a number of facilities which would have been late under the previous delivery schedule. These facilities include the Mission Operations Facility, Maintenance Management Facility, Hydrant Fueling, and Security Improvements. However, other facilities such as dormitories and community support, avionics maintenance, and the survival equipment shop will still be late. The maintenance docks should be authorized as requested in fiscal year 1990 to maintain construction continuity and provide a more fiscally balanced and manageable program. To meet the Air Force requirement to provide covered dock spaces for aircraft as they arrive, any docks deferred from the fiscal year 1990 MILCON would have to be absorbed in the fiscal year 1991 and 1992 requests.

UPGRADE OF CANADIAN AIRFIELDS

Senator DIXON. The Air Force has requested $24 million to fund the U.S. share of a joint U.S./Canadian effort to upgrade the pavements and support facilities at a number of forward operating locations. In light of recent cuts in Canada's defense budget, does the host government still plan to proceed with this construction on a schedule which will require U.S. funding during fiscal year 1990? Could this initiative not be deferred?

General AHEARN. Scheduled U.S. funding is based on the design and construction schedule set by the Canadians. The cut in the Canadian defense budget does not affect this initiative. The North American Air Defense Modernization program continues to be Canada's highest defense budget priority.

NAVY FUNDING STRATEGY

Senator DIXON. If I understand your testimony, the Navy's strategy to get through this austere funding period is to limit investment to only "essential requirements"; make prudent use of public/private financing initiatives; and opt for cost effective project execution. How do you see the Navy's fiscal year 1990 and 1991 facility budget request affecting this strategy?

Admiral DOEBLER. The Navy's fiscal year 1990 and 1991 facility budget request is consistent with this strategy. The military construction budget request is the result of a thorough review and "weeding out" process with only the essential requirements being included. The reduced real property maintenance funding request will be utilized on only those projects which have the greatest impacts on readiness. At the same time we are expanding our efforts to provide additional essential facilities through prudent use of public/private venture financing and insuring that our limited resources provide us the maximum amount of quality facilities through cost effective project execution.

Senator DIXON. Part of the Navy's strategy seems to be to rely on public/private development ventures to meet facility needs. You gave the example of the Broadway Complex in San Diego. What policy guidelines has the Department developed to ensure that the service and the taxpayer receive the highest possible return for any use of public assets by a private developer? Is the measure of merit in these proposals the fulfillment of any Navy requirement or the maximum return to the taxpayer?

Admiral DOEBLER. In all of our public/private development ventures the measure of merit is both the maximum return to the taxpayer and the fulfillment of a Navy requirement. We only enter into these ventures when it is cost effective for the Government and therefore the taxpayer to obtain valid Navy requirements through private venture financing. This approach is not the panacea for all facility deficiencies and we are proceeding with caution to insure that the taxpayers receive the maximum return. We have, however, reached the stage in planning and development that we anticipate being able to proceed with additional ventures that will provide us cost effective facilities years in advance of what would be possible with military construction appropriations, as is the case with our first sec. 2809 award for the administrative headquarters building at Naval Air Station Memphis, Tennessee.

BACKLOG OF MAINTENANCE

Senator DIXON. The Navy appears to be making a concerted effort to reduce the backlog of maintenance on its family housing stock. Is there a similar commitment to reduce the backlog of maintenance on your other facilities? How much would need to be added to your O&M request in order to stabilize—not reduce—your overall facility repair backlog?

Admiral DOEBLER. Downward pressure on the Navy's top-line precludes a commitment of sufficient real property maintenance funds to reduce the Backlog of Maintenance and Repair (BMAR). There have been declines in real property maintenance funding in this budget and the budgets of the last two years with a resultant growth in the BMAR. Stabilization of BMAR would require increases of $385 million in fiscal year 1990 and $442 million in fiscal year 1991. Increases of this magnitude would be difficult to absorb within the Navy's budget. To ensure that the reduced funding levels do not impact on operational readiness, the Navy is using the Shore Facilities Life Extension Program and the Base Readiness Reporting System. These programs enable the Navy to focus available funding on those maintenance and repair projects which have the greatest impacts on readiness.

RETENTION OF TRAINED PERSONNEL

Senator **Dixon**. We have heard a great deal about the relationship between modern facilities—work places and homes—and the retention of trained personnel. Does the Corps subscribe to this belief? In light of your conscious decision to defer quality of life initiatives in order to cope with funding constraints, what impact do you anticipate this will have upon retention? Do increased recruiting and training costs figure into these budget decisions?

General **Downs**. The answer to the first question is clearly, yes. When a Marine makes a decision to reenlist many factors are considered and surely one of these factors is the quality of life that the individual Marine and his or her family enjoys. If a Marine were asked today why he or she reenlisted, it is doubtful that the response would address his or her satisfaction with their barracks, mess hall or maintenance shop. However, if the question was posed to one who chose not to reenlist 10 to 12 years ago, quite often reference would be made to less than adequate billeting and work places. To answer the second part of the question, fiscal constraints obviously influence the composition of our program, but, it is the success the Marine Corps enjoyed with the programming of bachelor quarters and community facilities during the 1980's that affords us the opportunity to devote a greater percentage of our scarce resources to more passing construction issues such as operations and training projects during the 1990's. However, a percentage of our construction dollars will always be reserved for our highest priority quality of life projects. We firmly believe that providing Marines with modern, effective weapons, equipment and the facilities that support the employment of these items also has a great impact on retention and is in fact a quality of life issue as well. Regarding the third question, these factors are very much a part of our decision process. Clearly we will, to the degree possible, avoid decisions that have the potential for reducing retention and thus increasing recruiting and training costs.

DOD PRESENCE IN THE NATIONAL CAPITAL REGION [NCR]

Senator **Dixon**. Mr. Cooke, the congressionally mandated study of the DOD presence in the National Capital Region asked for a 10-year audit trail and the Department's presence in the area.

While the DOD study does provide a current listing, by military service, of the DOD presence in the area, it does not provide for a 10-year audit. There is a 40-year audit trail of personnel who occupy GSA controlled administrative space, but this does not provide a picture of the Department's overall presence in the area. Additionally, it appears that personnel figures for later years focused on headquarters administrative personnel rather than the total DOD population,

For the record, would you provide as a minimum a 10-year audit of the entire DOD presence in the area, including ally types of functions. To the extent possible, please also provide figures of the total DOD population in the NCR for the last 40 years, similar to the data in table XIII-2 of the report.

An additional difficulty in understanding the full impact of the Department's presence in the area is the impact of the contracting of functions in the NCR to commercial firms. While some of these contracts involve support services, others are clearly for functions integral to central administrative missions. The significance of this trend recently came to light when the Navy, facing increased criticism for relying too heavily on contractors for research, development, and plannaing functions, decided to return over 3,500 contract positions to in house manning. This has a direct impact upon the Navy's space requirements in its Crystal City complex.

To the extent possible, please provide a 10-year audit of the contracting of functions within the NCR so that the committee will be able to understand the full magnitude of the Department's presence in the area.

Mr. **Cooke**. Mr. Chairman, a 10-year and 40-year audit of the DOD presence in the NCR will be provided for the record. As for your request of a 10-year audit of the contracting of functions within the NCR and the staffing these functions would require if they were performed in house, the Department does not normally capture information in the form requested.

Enclosed are our best estimates of such manning requirements.

We believe, however, that to be fully and more definitively responsive to your question, we would need additional time. In obtaining data for this response from our Defense organizations, we encountered varied understandings of the types of functions to be considered. Moreover, though our organizations maintained dollar costs and other contract information, they did not normally maintain contract manning costs. To get this information would require a painstaking contract-by-contract audit. We are prepared to undertake such an effort, working with you, or the committee staff, if you so desire.

The enclosed order of magnitude figures are based upon a combination of estimates and "hard" figures which have been prorated and extrapolated.

[Information on employment and manning requirements follows:]

DEPARTMENT OF DEFENSE
MILITARY AND CIVILIAN PERSONNEL
IN THE
WASHINGTON, D.C., METROPOLITAN AREA*

YEAR	TOTAL	MILITARY	CIVILIAN
30 Apr 1945	208,355	111,230	97,125
1948 is not available			
30 Jun 1949	119,405	49,524	69,881
30 Jun 1950	114,805	47,380	67,425
30 Jun 1951	158,496	66,687	91,809
30 Jun 1952	163,861	69,543	94,318
30 Jun 1953	161,453	71,345	90,107
30 Jun 1954	155,145	67,936	87,209
30 Jun 1955	154,719	64,155	90,564
30 Jun 1956	153,276	63,468	89,808
30 Jun 1957	151,526	63,314	88,212
30 Jun 1958	139.003	59,822	79,181
30 Jun 1959	137,933	59,063	78,870
30 Jun 1960	134,672	56,978	77,694
30 Jun 1961	133,742	58,492	75,250
30 Jun 1962	135,725	60,005	75,720
30 Jun 1963	138,584	62,094	76,490
30 Jun 1964	139,205	61,730	77,475
30 Jun 1965	141,804	62,246	79,558
30 Jun 1966	156,164	70,526	85,638
30 Jun 1967	169,993	75,372	94,621
30 Jun 1968	182,836	83,388	99,448
30 Jun 1969	187,455	87,796	99,655
30 Jun 1970	174,458	82,721	91,737
30 Jun 1971	166,803	77,828	88,975
30 Jun 1972	158,615	72,221	86,394
30 Jun 1973	151,933	69,285	82,648
30 Jun 1974	146,688	62,133	84,555
30 Sep 1975	144,064	60,738	83,326
30 Sep 1976	141,499	59,757	81,742
30 Sep 1977	137,727	58,064	79,663
30 Sep 1978	135,060	56,956	78,095
30 Sep 1979	132,724	55,916	76,808
30 Sep 1980	135,008	57,764	77,244
30 Sep 1981	140,430	60,186	80,244
30 Sep 1982	142,080	60,573	81,508
30 Sep 1983	146,885	61,982	84,903
30 Sep 1984	146,928	63,630	83,298
30 Sep 1985	144,110	61,425	82,685
30 Sep 1986	149,458	63,804	85,654
30 Sep 1987	150,047	62,117	87,930
30 Sep 1988	148,786	62,667	86,119

*Area consists of the District of Columbia, Montgomery and Prince Georges counties in Maryland; Alexandria, Fairfax and Falls Church, along with Arlington and Fairfax counties in Virginia. Loudoun and Prince William counties in Virginia were added in 1967. In 1973, Charles County Maryland was added. The Virginia cities of Manassas and Manassas Park were included in 1978. Calvert and Fredrick counties in Maryland and Stafford county in Virginia were added in 1983.

Personnel was "total paid employees" until 1979 when it became "OMB ceiling employment", as reported to the Office of Personnel Management.

Organizations with classified employment levels are not included.

DEPARTMENT OF DEFENSE
NATIONAL CAPITAL REGION

Estimated In-house Manning Requirement of Functions Contracted*

YEAR	ESTIMATED MANNING REQUIREMENT**
1978	4,000
1979	4,300
1980	4,800
1981	5,100
1982	5,500
1983	5,900
1984	6,400
1985	7,200
1986	7,700
1987	8,500
1988	10,000

* The above information excludes the following:

- o Experts or consultants including advisory committee members.
- o Individuals or firms employed to meet one-time or surge requirements.
- o Contracts for commercial or industrial type activities under the provisions of OMB Circular A-76.

** Represents the number of contractual work years of effort for which DoD would have had to use full time civilian or military personnel in support of a continuing mission. As there is no system to record and maintain this data, the information represents the best estimate for order of magnitude.

Senator DIXON. Mr. Cooke, how much does the DOD anticipate saving from eliminating a duplicate management layer? How many people are involved?

Mr. COOKE. Mr. Chairman, on October 1, 1987, the General Services Administration delegated to the Department the day-to-day operations, maintenance and protection of 33 buildings occupied by the Department in the NCR. Under this delegation, approximately 1,350 people operating, maintaining and protecting these buildings were transferred from GSA to DOD. GSA reserved the right to review certain projects over a given size, establish the amount of funds available for operation and maintenance, and audit the Department's compliance with GSA procedures and rules governing the operation and maintenance of buildings. The duplicate management layer is the oversight, approval and budgetary functions at GSA and the elimination of this duplication would result in a savings to the Government. The elimination of this duplication would also result in more timely actions and more efficient operations. Information of the number of people involved would have to be provided by GSA.

An additional, compelling, reason for the transfer is that rather than work at the Pentagon competing with other Federal agencies supported by GSA and having to fit with GSA's national priorities, funds for the Pentagon would be reviewed in the setting of the priorities of the National Defense Establishment and the decisions on funding would rest with the Department.

Senator DIXON. Mr. Cooke, in your testimony, you suggest that previous administration and congressional decisions have had a significant impact on the funds available to GSA. . . Could you elaborate on this? Either now or for the record, please document why the GSA has not, and apparently will not be in a position to renovate this facility.

Mr. COOKE. Senator Dixon, I believe that was a quote from Mr. Chistolini's statement, however it is my understanding that since the implementation of the Federal Building Fund in 1975, both past administrations and the Congress have placed constraints on the income to the fund. These constraints ranged from language in an agency authorization Act prohibiting payments in a fiscal year from exceeding prior fiscal year payments to administration decisions which did not allow GSA to charge the full value for space occupied (effectively capping the income to the fund). These constraints were placed on the fund at various times and reduced the income available for use by GSA. As to the second part of the question, it is my understanding that in fiscal year 1990 the GSA nation wide program for capital improvements will be about $330 million including repair, asbestos removal, PCB removal and construction. The Pentagon renovation would overwhelm the fund and require reprioritization of GSA national program for the renovation cycle. I believe that Mr. Chistolini mentioned in his statement that GSA had insufficient resources to renovate the Pentagon.

Senator DIXON. Mr. Cooke, what steps has the Department taken since the establishment of the Federal Building Fund to secure GSA support for appropriate repair and renovation of the Pentagon? For the record, please provide documentation of these initiatives and their results.

Mr. COOKE. Mr. Chairman, the Department has for many years maintained a close working relationship with GSA, especially with the Regional Office in Washington. The Department has attended GSA's annual planning meetings where future capital expenditures are discussed in relationship to expectations of available income and GSA's national priorities, and has participated in the planning of major prospectus projects for the Pentagon.

GSA has received congressional approvals for repair work, such as replacement of air handling units, cafeteria renovations replacement of the fire alarm system and increasing the primary electrical service capacity to the building. Because of lengthy prospectus approval time (some 5 to 6 years), projects originally contained in the prospectus has to be reduced in scope to stay within congressional funding limits.

In 1985, GSA proposed to replace Polychlorinated Biphenol (PCB's) transformers, repair failing basement floor slabs, renovate toilets and other work totaling some $20,500,000. The congressional review of this prospectus resulted in approval of a portion of the scope proposed with the direction that a coordinated plan for the renovation of the building be established. In a series of meetings between the Department and GSA, a plan was outlined where GSA would perform a Building Evaluation Report by contract and upon completion of the Report, a joint DOD-GSA renovation plan would be developed.

The Report was completed in 1986, but GSA took no further planning action due to the impending delegation of the building from GSA to DOD for day to day operation and maintenance. At that time, the GSA advised DOD that they would be unable to carry out any renovation and stopped all planning activities. We have sought additional funding for GSA for some critically needed work, as the correspondence I have provided highlights. To date we have not been successful in this effort.

[Correspondence follows:]

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE

WASHINGTON, D.C. 20301

COMPTROLLER

(Administration)

PERSONAL

04 NOV 1987

Honorable Terence C. Golden
Administrator
General Services Administration
Washington, D. C. 20405

Dear Terry:

I am sending you the attached letter and fact sheet directly because we are in a desperate situation which has been dragging on too long and need you to weigh in.

The problem with the boilers has been recognized by the Region for some years. Apparently, the plant manager recommended replacement of all boilers about ten years ago to no avail. The past year the GSA Central Office turned down the Region's request for a prospectus for two boilers. Now we need more than double the capacity. The delay is going to cost at least $2 million a year for rental boilers. If we had replaced them a couple of years ago, they would have been paid for by now.

The only solution at this time is an emergency prospectus. Dick Hadsell recognizes the problem and is working hard to solve it, but I think he and I need your direct intervention to get this off dead center.

Sincerely,

Doc

D. O. Cooke
Deputy Assistant Secretary of Defense

Attachments

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, DC 20301-1100

COMPTROLLER
(Administration)

04 NOV 1987

Honorable Terrence C. Golden
Administrator
General Services Administration
Washington, D.C. 20405

Dear Mr. Golden:

This is to request that you submit an emergency prospectus to Congress to procure replacement boilers at the Pentagon Heating Plant.

At present four of the five boilers at the Plant are considered unsafe to operate. Recent tests of the boiler tubes of No. four and five boilers found that they are unsafe to operate. Number three boiler has been inoperable for several years. Based on the condition of boilers three, four, and five, when tested, boiler two will in all probability be found unsafe to operate since it is one of the original 1942 installed boilers. This leaves No. one as the only remaining operable boiler. Boiler No. one is an oil fired boiler that replaced one of the coal boilers in 1973. Although operating now, it has a history of failures and has a reliability of less than 50%.

The above problems were recognized in 1978 by the Plant Manager who wrote GSA Region requesting the immediate procurement of four new boilers and advised "... this project should be expedited since the need for new boilers, which will serve steam to the Pentagon, Navy Annex and Henderson Hall Marine Headquarters, has become more urgent" (copy attached).

In August 1987, the Building Evaluation Report (copy attached) noted that Boilers No. two, three, four, and five had reached the end of useful life and provided the following deficiency description: "Boiler No. two (boilers two, three, four, and five are identical) has an obsolete fuel firing system. The ram stokers are no longer manufactured ... and the cost of replacement parts is becoming prohibited. These boilers are high maintenance items with low reliability and availability. In addition, electrical controls, soot blowing systems, combustion control system, coal chutes, sifting hoppers, brickwork, forced draft turbines, induced draft fans, and the entire ash handling system on each boiler requires replacement."

Due to the unsafe to operate condition of the boilers, in October 87 your contracting office awarded a contract to provide temporary rental boilers; however, the contractor failed to perform and the contract was terminated by the GSA contracting officer which we concurred in. We have now been advised by the Region staff that they will not negotiate another contract until DoD provides GSA a RWA for $1,000,000 for a six month contract to rent boilers. Your staff was advised that DoD considered this expenditure to be in the non-recurring funding category which is GSA's responsibility.

Based on the foregoing, I recommend that:

- GSA award and pay for a sufficient number of rental boilers until replacement boilers can be installed and are operable.

- Submit an emergency prospectus to Congress to replace No. two, three, four, and five boilers with multi-fuel boilers.

- GSA take the necessary action to design and construct a new heating plant.

Your staff is working to replace No. three boiler; however, even with the replacement there will be inadequate steam capacity to ensure heat in cold weather. I view the replacement of the other boilers as an interim solution until a new heating plant can be constructed. Even with new boilers, reliability of the plant will be low due to the overall condition of the auxiliary and other support systems.

At your convenience, I would like to tour the plant with you and see if we are in agreement in my assessment.

Sincerely,

D. O. Cooke
Deputy Assistant Secretary of Defense

Atchs: a/s

FACT SHEET

PENTAGON UTILITIES PLANT

BOILER PROBLEMS

- Pentagon Utilities Plant was constructed in 1942 using coal burning boilers designed in 1910.
- No. one boiler was replaced in (1973) with an oil fired boiler. Reliability estimated to be less than 50%.
- In 1978 the Plant Manager requested that all boilers be replaced. No action was taken. (Copy attached)
- In August 1987, Summer Consultants stated that boilers two, three, four, and five "had reached the end of useful life." Replacement required. (Copy attached)
- In FY-87 GSA-NCR submitted a proposed prospectus for replacement of No. three boiler which is inoperable with two mult-fueled boilers. The prospectus was rejected by GSA Central Office.
- GSA NCR is proceeding with a project reduced in scope to replace boiler No. three without using prospectus funds. This project was to be expedited as an emergency, but has been stalled due to disagreements between program officials and contracting officers.
- Recent independent testing demonstrated that the tubes on boilers 4 and 5 have thinned to the point that they are not safe to operate, boiler No. two is probably in the same condition.
- Boiler No. one is 14 years old. Control problems has reduced its reliability to 33%
- GSA contracted for rental boilers in early October 1987 with a company known to have a reputation for being unreliable. As such, the contractor failed to perform on time. Then, was given a two day extension but still failed to perform. The GSA contracting officer terminated for default on 30 October 1987 with our concurrence.
- Estimated cost to replace:

-- stocker, per boiler	$400,000
-- retube, per boiler	300,000
-- ash system, precipitation, etc	1,000,000

OFFICE OF THE SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301

26 JUL 1988

Administration & Management

Honorable John Alderson
Administrator
General Services Administration
Washington, DC 20405

Dear Mr. Alderson:

This is a follow-up to my brief conversation with you regarding the boiler problems here at the Pentagon. I have been working with Dick Hadsell on this problem for the past two years. Dick tried to help back in 1986 by submitting a proposed emergency prospectus to the GSA Central Office, recommending that number three boiler be replaced with two smaller oil/gas fired boilers. We strongly concurred. Central Office, however, rejected the proposal and advised the Region to accomplish the replacement as a non-prospectus action.

Since the prospectus action was rejected, Dick looked at non-prospectus alternatives ranging from repairing the four 1942 vintage coal burning boilers and associated coal handling equipment to installing oil and gas burners on the existing coal fired boilers. All of these alternatives are costly, time consuming, and will not provide the reliability we require for the Pentagon Complex.

At present four of the five boilers are unsafe to operate. They have an obsolete fuel firing system, all require retubing, ram stokers are no longer manufactured, and the cost of replacement parts is becoming prohibitive. In addition, electrical controls, soot blowing systems, combustion control system, coal chutes, sifting hoppers, brickwork, forced draft turbines, induced draft fans, and the entire ash handling system requires replacement. These conditions existed in 1978 as described by the GSA Plant Manager who recommended the immediate procurement of four new boilers and advised"...this project should be expedited since the need for new boilers, which serve steam to the Pentagon, Navy Annex and Henderson Hall Marine headquarters, has become more urgent" (copy enclosed).

The Pentagon Complex is currently being provided steam by three temporary oil fired rental boilers and one permanent government-owned oil fired boiler. The contract cost for these rental boilers for the first 18 months will be over $2,000,000. The renting of these temporary boilers is a costly way to provide steam to the Pentagon. This $2,000,000 would have paid for the replacement boilers and provided the necessary steam until a new heating plant could be designed and constructed about 1994.

A related and equally serious problem is the refrigeration side of the Plant. Although we are barely meeting our cooling requirements, there have been days when the chilled water was distributed 4 to 7 degrees above design temperature. In fact there have been days and weeks that if one more chiller had malfunctioned, it would have impacted critical National Defense functions.

The major problem with the chillers is their reliability; some are now over 26 years old. Moreover, the backup chillers are insufficient to meet the demand caused by the increased use of ADP equipment.

We have the same problem with the chillers as with the boilers: inadequate capacity, reliability, and backup to properly service the Pentagon Complex while we design and construct a new Power Plant.

Based on the foregoing, I recommend that:

- GSA continue to fund for rental boilers until we agree upon and implement an interim solution.
- As an interim solution, GSA submit an emergency prospectus to Congress to replace number two, three, four, and five boilers with four packaged 35,000 lbs multi-fuel boilers; and replace the three 2,500 ton capacity chillers with six 1,800 ton capacity chillers.
- DoD take the necessary action to design and construct a new power plant.

At your convenience, I would like to tour the Power Plant with you and further discuss the short, interim and long term solutions as you see first-hand what we are up against.

Sincerely,

D. O. Cooke
Director

Enclosure:
a/s

General Services Administration
Federal Supply Service Washington, DC 20406

Date : December 6, 1978

Reply to Attn of : Manager, Maryland-Virginia Heating Field Office (3PFHS)

Subject : New boilers - Virginia Heating and Refrigeration Plant

To : Manager, Heating Operation and Transmission Area (3PFH)
Director, Repair and Alteration Division (3PT)

This office has registered its need for four new boilers at the Virginia Heating and Refrigeration Plant under the FY 79 RACOS Program. However, it is requested that this project be expedited since the need for new boilers, which will serve steam to the Pentagon, Navy Annex and Henderson Hall Marine Headquarters, has become more urgent.

Two current problems underlie our concern over the existing boilers at this plant:

1. The failure rate of mechanical parts and boiler tubes has increased steadily. Along with this, replacement parts for these 38 year old boilers have become more scarce and at the same time, very costly. For example several basic parts required for these boilers have been on order for over a year, and they are critical to their operation.

2. Cost of operation for these boilers has increased due to incorrectable inefficiencies. While new, multi-fuel, boilers could expect to obtain efficiencies of over 80%, these boilers barely produce 60%. At a current annual cost of coal at about $980,000.00, a savings of $196,000.00 a year could be realized on fuel alone. The cost of repair parts presently runs above $100,000.00 a year, much of which would be reduced significantly with new boilers.

It is requested that action to obtain these new boilers at the Virginia Heating and Refrigeration Plant be initiated immediately. Without replacement boilers within a reasonable period, reliable steam service to the Pentagon may be jeopardized.

C E Polinger
C. E. POLINGER
Manager
Maryland-Virginia Heating Field Office

Senator DIXON. Mr. Cooke, I gather that the $610 million estimated cost to renovate the Pentagon does not include the modernization of the Navy Annex. How much has the DOD paid to GSA since 1975 for use of the Annex which has been excess of the operating costs of this facility? If the DOD receives responsibility for this facility, what plans does the Department have for this complex, and at what cost?

Mr. COOKE. Mr. Chairman, that is correct, the estimated cost to renovate the Pentagon does not include the modernization of the Navy Annex. The Department has paid GSA about $115 million for the use of the Navy Annex since 1975. We estimate that about $35 million was used to operate and maintain the building, and an additional $4 million is being spent on major repairs. Consequently, the Department has paid GSA about $76 million more than was spent on the building over this 14-year period. The Department plans to keep the Navy Annex operational through the Pentagon renovation cycle, and will try to make space available in the building for swing space. At the end of the renovation cycle, the Department plans to replace the Navy Annex with a building on the Pentagon Reservation that would accommodate a similar population. Considering the finite resources available for construction projects, the Department will examine alternative financing methods for the construction of this building. We are not far enough along in our planning to place a cost on such a building.

Senator DIXON. Mr. Cooke, I note that the Department has requested the recision of the statutory prohibition on the design of an annex to the Pentagon. You will recall that this committee has held very strong feelings about this proposal. According to your testimony, the Department now has no plans to move forward with such a scheme until after the renovation of the Pentagon, currently programmed to extend through fiscal year 1997. Since the Department has no near term plans to proceed with such a plan, what practical effect does this prohibition have?

Mr. COOKE. Mr. Chairman, you are correct in stating that the Department has requested the recision of the statutory prohibition on the design of an annex to the Pentagon and that the Department has no plans to move forward with such a scheme until after the renovation of the Pentagon. This prohibition does not now have any affect on our plans and actions for the Pentagon Reservation. However, as we move forward with the renovation and Master Planning for the Pentagon Reservation, the Department would like to have the flexibility to begin the design process, presuming agreement with Arlington County, without a requirement to submit legislation. As a practical matter, the Committee would have ample opportunity to advise us of its views under the notification requirements of United States Code, Title 10, Sec. 2807.

DEVELOPMENT PLANS IN THE NCR

Senator DIXON. Mr. Cooke and Mr. Chistolini, in both of your statements, it is clear that the DOD faces the renewal of large leases for facilities which apparently no longer meet the user's needs. Yet in both your statements, I see no reference to any alternatives other than additional leases or military construction. In light of the Department's funding constraints, which would be exacerbated by funding the renovation of the Pentagon, I suspect that MILCON is not a viable alternative. If we are driven to leasing, will we not find ourselves in the same position we are in now, facing lease renewals with no equity position in administrative facilities?

Mr. COOKE. Senator, you are correct, my statement did not address specific alternative funding methods, although I did mention that I have the same concern that you expressed, that with the restrained Defense budget other techniques of funding projects may be necessary. However, if we are driven to leasing, then when these large leases expire, ten to twenty years from now, we will find ourselves in the same position that we are in today. We will be facing large lease expirations with no equity position in the facilities.

Senator DIXON. Mr. Cooke, the Navy project, now that project could end-up as a 20-year lease couldn't it?

Mr. COOKE. Yes, the Navy project could end-up as a 20-year lease.

Senator DIXON. Mr. Chistolini, the Navy project, now that project could end-up as a 20-year lease couldn't it?

Mr. CHISTOLINI. The Congress has directed that one of the alternatives sought for housing the Navy be the cost of housing them in a 20-year leased location. So it is possible that a 20 year solution may be the most cost effective. If that is the case, the leased property will be such that it will permit the operation of a modern office environment for that time period. In other words, it will not be speculative office space.

Senator Dixon. Would you consider that the Government will have benefited more from that project or from some of the 20-year leases in Crystal City?

Mr. Chistolini. The housing solution of the U.S. Geological Survey at Reston has proved to be a far more cost-effective solution than the housing of the Navy in 20-year leases in Crystal City.

Senator Dixon. Mr. Cooke, during the Pentagon renovation, you are going to have to move people out of the building. Where are you going to put them?

Mr. Cooke. Mr. Chairman, you have hit upon what is probably the single biggest constraint in planning the renovation of the Pentagon. We will have to move a significant number of people out of the building while the building is renovated. We are investigating a number of alternatives for what we call "swing space." Among these alternatives are using space Navy occupies in Crystal City (assuming the Navy consolidation has gone forward) or using the Navy Annex (FB-2) if some of the present occupants could be moved out. In this regard, the Marine Corps has been investigating the possibility of constructing a Headquarters building at Henderson Hall for their functions in the Navy Annex. However, considering the Corps' limited MILCON program, they do not anticipate MILCON funds ever being available for such a project and have started to investigate alternative financing strategies. We are also investigating the least desirable method of providing swing space, leasing the space.

Senator Dixon. Mr. Cooke, it seems to me that the authority to enter into a contract where you purchase the building through the lease payments over a 20-year to a 30-year period could go a long way to implement your plan, decreasing the Government's dependence on costly leased space and maximizing the use of our real property. As a drafting services, would you provide to this committee the form that legislation giving Defense such authority might take.

Mr. Cooke. Mr. Chairman, as a drafting service, I will provide the form that such legislation might take.

[Information follows:]

LEASE-PURCHASE OF ADMINISTRATIVE FACILITIES

Sec. XXX. (a) chapter 169 of title 10, United States Code, is amended by adding at the end of subchapter I the following new section:

"§ 2812. Lease-purchase of administrative facilities

"(a) The Secretaries of the military departments, and the Secretary of Defense with regard to the defense agencies, may enter into leases for administrative office space on or near military installations.

"(b) Leases entered into under the authority of subsection (a):

"(1) may not exceed a term of 32 years, excluding a period of construction,

"(2) shall provide that at the end of the lease term title to all improvements (and the underlying land if the improvements are constructed on non-federally owned land) shall vest in the United States, and

"(3) shall include such other terms and conditions that the Secretary concerned determined are required in the best interests of the United States.

"(c) A lease may not be entered into under this section until:

"(1) the Secretary concerned submits to the appropriate committees of Congress, in writing, a justification of the need for the facility for which the lease is to be awarded and an economic analysis (based upon accepted life cycle costing procedures) that demonstrates that the proposed lease is cost effective when compared with a military construction project, and

"(2) a period of 21 calendar days has expired following the date on which the justification and the economic analysis are received by the committees.

"(d) for budgetary purposes, obligations shall be "scored" in any one year for leases entered into under the authority of this section only to the extent of expenditures for that year."

(b) The Table of Sections for subchapter I of such chapter shall be amended by adding immediately following the item relating to section 2811 the following new item:

"2812. Lease-purchase of administrative facilities."

ARMY'S ENGINEERING PROVING GROUND

Senator Dixon. In his prepared statement, Mr. Cooke discussed the proposal to develop the Army's Engineering Proving Ground site at Fort Belvoir in a public/private venture? What is the purpose of this proposal? Does the Department of

Army have the statutory authority to negotiate such a venture? If not, what legislation would be needed?

Mr. JOHNSON. The Army has agencies in the National Capital Region (NCR) because of their important interaction with Army Headquarters and with Congress. Many of these agencies occupy administrative space in the NCR that is leased. These lease costs are among the highest in the nation, and the occupancy costs for DOD space in the NCR are expected to soar in the next ten years unless remedial action is initiated. Presently, our lease costs exceed $42 million per year. By relocating them to the Engineer Proving Grounds as part of the public/private initiative, the interaction would continue, while avoiding $42 million in the rental costs per year.

This development concept is to encourage the sale, lease, or exchange of the 820-acre parcel to a private developer who would, in turn, construct needed office facilities for the Department of the Army on a portion of the site and develop the rest of the site for mixed use. The Army would own it's portion of the facilities and could avoid the current annual rental cost. The earliest the Army envisions any construction on the site is 1992 or 1993.

The Department of the Army does not have statutory authority to negotiate such a venture. However, in responding to a similar question from Senator Warner, we were asked to provide the Congress with a draft of the required legislation. The following is a draft of that proposed legislation.

SEC. . LAND CONVEYANCE, FORT BELVOIR, VIRGINIA

(a) IN GENERAL.—Notwithstanding any other provision of law, and subject to subsections (b) through (f), the Secretary of the Army (hereafter in this section referred to as the "Secretary") is authorized to convey any interest of the United States in and to all or any portion of the approximately 820 acres of land at Fort Belvoir, Virginia, known as the Engineer Proving Ground.

(b) The Secretary may make a conveyance authorized under subsection (a) only to the successful proposer(s) (hereinafter referred to as the "grantee") for the balanced, mixed-use development of the real property (including infrastructure improvements to, for example: public transportation systems, utilities, telecommunications on and off the property), in accordance with detailed plans and terms of development (hereinafter referred to as the "master plan") formulated by the Secretary and agreed to by Fairfax County, Virginia, and the Commonwealth of Virginia.

(c) In consideration for the conveyance authorized under subsection (a), the grantee shall, pursuant to an agreement to be entered into between the grantee and the Secretary, construct facilities and infrastructure improvements on the Engineer Proving Ground, and/or at any other Army installation, and in reasonable vicinity of such installations as may be required to support construction on such installations as agreed to by the appropriate local governing authorities, for the Department of the Army in accordance with plans and specifications approved by the Secretary.

(d) CONDITIONS.—

(1) The cost (as determined by the Secretary) of the facilities and infrastructure improvements to be provided by the grantee under subsection (c) shall not be less than the fair market value of the real property interest authorized to be conveyed by the United States to the grantee under subsection (a).

(2) The Secretary shall select the grantee using competitive selection procedures determined by the Secretary. Such procedures shall take into account the technical sufficiency of the proposals and cost will be a factor. The grantee shall enter into an agreement with the Secretary to develop the real property, to be conveyed to the grantee under subsection (a), and to make infrastructure improvements on and off the property in accordance with the master plan. Such agreement shall set forth the terms and conditions under which the conveyance will be executed and may be made subject to review and approval by the County of Fairfax and the Commonwealth of Virginia.

(3) The Secretary may not enter into any agreement for the conveyance of the real property or any interest therein referred to in subsection (a) until a period of 21 days has expired following the date on which the Secretary has submitted a report of the facts concerning the proposed conveyance to the Committees on Armed Services of the Senate and House of Representatives.

(4) The Deed of Conveyance shall provide that if for any reason the grantee is unable or unwilling, as determined by the Secretary, to construct or complete the facilities and infrastructure improvements described in subsection (c), or to develop the real property in accordance with paragraph (2) of this subsection, any and all right, title, and interest in and to the real property conveyed under

subsection (a) shall automatically revert to the United States which shall have the immediate right of possession thereof.

(e) ADDITIONAL TERMS.—The Secretary may require such additional terms and conditions with respect to the conveyance as the Secretary considers appropriate to protect the interest of the United States.

FAMILY HOUSING RENTAL GUARANTEE

Senator DIXON. I understand that the Navy is exploring the possibility of securing a guaranteed rental arrangement with a residential property adjacent to Charleston Naval Base, S.C. This property has recently been renovated. Does the Navy support alterations to existing statutory authority in order to include already renovated properties under the section 802 program?

Admiral DOEBLER. The Navy would support an amendment to existing authority to include already renovated properties under the section 802 program. An amendment of this nature would provide the potential of another source to obtain adequate, affordable family housing for our personnel. If this legislation were enacted, we would consider its use in Charleston as well as other areas where we have family housing deficiencies.

QUESTIONS SUBMITTED BY SENATOR SLADE GORTON

CHILD CARE

Senator GORTON. How does the Department of Defense currently provide for child care for its civilian military personnel?

Mr. MEEHAN. The Department of Defense operates about 639 child development centers on 408 installations worldwide. An average of over 81,000 children attend these centers on a daily basis. The children of civilian personnel are cared for on a space-available basis. The Department estimates that less than 10 percent of children now cared for at the existing centers are dependents of civilian personnel.

Additionally there are about 12,000 family day care homes which can accommodate another 48,000 children. These homes primarily care for the children of military personnel, but may in some cases be available to civilian employees.

Senator GORTON. How can DOD expand this service?

Mr. MEEHAN. There are several options that the Department is pursuing in order to expand child care services. One option is to increase the number of family day care providers. Another option is to continue with requests to Congress for MILCON projects. However, these programs will primarily benefit military personnel. The Department recently issued policy which authorizes local commanders to allocate space, and renovate or expand exisiting facilities for civilian employees. Furthermore, under 10 USC 2809 the Department is authorized to enter into long-term facilities contracts for the construction, management, and operation of child care services. DOD has successfully contracted out two Pilot Projects to date: (1) at the Pentagon, (2) Tracy Depot, California. The dependents of civilian DOD employees can be included along with dependents of military personnel in the planning for such facilities.

Senator GORTON. What is the DOD standard of square footage per child in a child care facility consturcted with military construction funds?

Mr. MEEHAN. On March 6, 1989, the Department published an instruction which for the first time established policy and issued standards for the operation of child development centers DOD-wide. In this DODI, the standard for square footage is 35 square feet net per child for indoor space and 75 square feet for outdoor space, standards that are consistent with private sector practice for comparable programs. Gross square footage requirements will vary according to the capacity of the center, but typically average 75 square feet per patron.

Senator GORTON. What is the industry standard in the private sector for square footage per child?

Mr. MEEHAN. There are no single standards for square footage in the private sector. Each State has its own minimum requirements under which centers in the State will have to operate. However, most States and most child development center operators recognize the National Association for the Education of Young Children (NAEYC) standard of 35 square feet net minimum per child, the same standard prescribed by DOD. Gross square footage requirements again vary with the capacity of the center and the management philosophy of the owners, but commonly average 55–60 square feet per patron.

Senator GORTON. How can yor reconcile the differences?

Mr. MEEHAN. As previously stated, the minimum space criteria for direct child care prescribed by DOD is comparable to the prevailing standard set by most State licensing boards which govern private child care centers. The somewhat smaller gross facility sizes often found in the private sector are typically achieved with reductions in the amount of administrative space included within the facility. For example, where an independent military facility might well include office, staff training space, etc., a chain operation in the private sector (i.e., multiple centers within a localized geographic area) might well consolidate such functions at an off-site location, resulting in smaller facilities at the satellite site.

PERSHING II BASES

Senator GORTON. What is the current planning for the reuse of ground launch cruise missile bases and Pershing II bases in Europe?

General OFFRINGA. In a March 22, 1989 report (classified Secret) to Congress, the Department of Defense listed proposed alternative uses of the Pershing II installations that were being discussed with NATO and the host nations. The Army's original plan envisioned full use of the Pershing II troops. In the aftermath of the recent budgetary decision to cut end strength, the Army has gone back to the drawing board and expects a revised proposal to be available by the end of June 1989. However, all planning will be affected by President Bush's initiative to reduce troop strength in Europe.

HIGHEST PRIORITY READINESS PROJECT

Senator GORTON. What is the highest priority readiness related military construction projects for each service in the 5-year defense plan?

General AHEARN. The Air Force's highest priority readiness related MILCON projects are those supporting beddown of new weapons systems and continued support of readiness initiatives at overseas locations.

Admiral DOEBLER. It would be difficult, if not impossible, to obtain a consensus in the Navy of the highest priority readiness related construction projects in our 5-Year Defense Plan. Only those projects of the greatest need have been included in our modest programs. We have a balanced plan comprised of projects, each of which satisfies a unique requirement that should be accomplished in the designated fiscal year to enhance our readiness. A project to provide housing to adequately house our enlisted personnel is of no less or greater importance to our readiness than a pier to berth our ships, a hangar to maintain our aircraft, or a training building to train our people. We have programmed those projects that have the greatest positive impact on readiness in the earlier fiscal years.

General DOWNS. The Marine Corps Military Construction request now before the committee provides the projects to respond to the highest priorities of improving readiness and sustaining our forces while continuing our commitment to improve the quality of life for our Marines and their families. Our request, and those for future years, represent a balanced program that address Marine Corps requirements in all categories of construction. This balanced program is the result of a careful and thorough assessment of requirements and relative priorities. Over 50 percent of each program year's construction is devoted to projects directly related to increasing readiness. These projects support operations, training and maintenance requirements. The balanced program approach precludes identifying or isolating a single project or projects as the single highest priority in a given year.

General OFFRINGA. The Army's highest priority readiness-related construction projects in the 5-Year Defense Plan are intended to provide facilities for the following critical requirements: Maintenance Facilities, including hardstands, Training Facilities, especially Combat Training Centers; Adequate Troop Housing; New Equipment Fielding Support (e.g. Apache Helicopter); and Logistics Support Facilities.

NAVY OFFICE SPACE

Senator GORTON. There has been a see saw process on the relocation effort of the Navy from its present leased space. What is the Navy's interpretation of the legislation contained in last year's Department of Defense Authorization Act concerning the Navy's plans.

Admiral DOEBLER. The Secretary has concluded that section 2817 of the National Defense Authorization Act for Fiscal Year 1989 vests in him discretion and responsibility to determine the area for the solicitation which best suits the Department of Navy's needs.

DOD PRESENCE IN THE NATIONAL CAPITAL REGIONAL [NCR]

Senator GORTON. Mr. Cooke, and Mr. Chistolini, how much money has the Department of Defense paid to the General Services Administration for the Pentagon?

Mr. COOKE. Senator Gorton, we estimate that the Department has paid GSA over $560 million since the implementation of the Federal Buildings Fund in 1975. More important, however, is that we estimate that the payments to GSA over the next 9 years for the Pentagon and the Navy Annex will be about $965 million with about $420 million of this total spent on operation and maintenance and $540 million deposited in the Federal Buildings Fund and used for other purposes. This $540 million would go a long way in paying for the renovation of the Pentagon.

Mr. CHISTOLINI. Since the start of fiscal year 1977 through September 30, 1988, the Department of Defense has paid the General Services Administration (GSA) a total of $501,530,039 for space and related services.

Senator GORTON. Mr. Cooke, and Mr. Chistolini. How much of that money has been spent on the Pentagon?

Mr. COOKE. Senator, we estimate that over the 14 years the Federal Buildings Fund has been in existence about 60 percent of the $560 million or $360 million was spent on the operation and maintenance of the Pentagon, including capital items like increasing the primary electrical service capacity, replacing air handling units and so forth.

Mr. CHISTOLINI. Since fiscal year 1977, GSA has spent $37,100,000 on repair and alterations at this facility. This includes roof repairs, elevator and escalator repairs, replacement of contaminated PCB transformers, asbestos abatement, heating ventilating, and air-conditioning repairs, and other building repairs. In addition, $8,000,000 has been transferred to DOD from GSA for the accomplishment of additional roof repairs and toilet room renovations. Furthermore, GSA has spent approximately $303,419,553 to operate and maintain this facility over this time period. The total for this time period is approximately $348,519,553.

Senator GORTON. Mr. Cooke and Mr. Chistolini, what has happened to the difference?

Mr. COOKE. Senator Gorton, we have been advised by GSA that the remainder of the payment to GSA was deposited to the fund and the total resources available to GSA have been used for the nationwide program of construction, repair/alteration, lease payments, operating cost and for PCB and asbestos removal projects. It is our understanding that the fund was not established with the idea that all funds depostied for "rent" from one building would be used for that building. The idea behind the fund is to use the amount deposited to meet GSA's national priorities.

FEDERAL BUILDINGS FUND (FBF)

Mr. CHISTOLINI. The Federal Buildings Fund (FBF) was designed so that GSA's costs to operate and maintain its total inventory of owned and leased buildings are less than the aggregate income produced by those buildings. The difference is used to fund capital project requirements throughout the inventory, including repair and modernization of existing buildings, construction and purchase of new buildings, and alterations to existing space to meet the requirements of expanding Government activities. The difference between income collected and costs to operate the Pentagon became part of those FBF funds available for capital investment.

GSA currently owns, operates and maintains 1,700 buildings nationwide. Fifty percent of these buildings are over 40 years old. While they are structurally sound, they generally require extensive major systems overhauls every 20–30 years. The maintenance and upgrading of these Federal assets is a major concern to GSA that is gradually addressed, over time, within the FBF resources annually available for capital investment.

In any specific fiscal year, capital projects related to the Pentagon (and other DOD existing space or new requirements) may or may not be funded by GSA. The amount of FBF funds available for capital investment in any fiscal year are always less than the amount needed to immediately carry out all desirable projects. GSA prioritizes and schedules its projects based upon requirements for capital investment over the entire inventory, and tries to accommodate agency interests to the maximum extent possible. However, it is GSA's intent that, over the long term, each building will receive a fair and equitable share of the capital investment in order to provide a safe, efficient and productive workplace.

Senator GORTON. Mr. Chistolini, what is GSA's position on contributing to the renovation of the Pentagon?

Mr. CHISTOLINI. As long as the Pentagon is part of GSA's space inventory and DOD continues to pay rent to GSA for space occupied, GSA is responsible for funding the costs of operating, maintaining and renovating the Pentagon (excluding costs for nonstandard level space and services for which DOD would continue to be responsible).

If the Pentagon were to be transferred out of the GSA space inventory and DOD were to discontinue paying rent to GSA for this space, GSA would no longer be responsible for funding any costs of operating, maintaining and renovating the Pentagon.

QUESTIONS SUBMITTED BY SENATOR JOHN WARNER

NAVY OFFICE SPACE

Senator **WARNER**. Given the Navy's stated preference to remain in Virginia, would you outline for us the various options for provision of the leased office space for the Navy?

Admiral **DOEBLER**. GSA has received expressions of interest from developers, for providing 3 million square feet of office space in Northern Virginia no further from the Pentagon than 1.5 miles outside the Capital Beltway, proximate to Metrorail, and good highway access. There are a handful of excellent locations in the group that have potential to meet the needs of a Navy facility. The solicitation will require developers to submit alternative offers, based on straight lease, lease-purchase and outright purchase of facilities by the Government as the facilities are completed and turned over. GSA will issue the Solicitation for Offers in early July.

Senator **WARNER**. One of the sites is in the Franconia area and is known as the Franconia Depot. It is my understanding that the current occupants plan to vacate the space in the early 1990s. Can the existing transportation infrastructure support the addition of three million square feet of administrative office space at the Franconia site? What would be the additional costs if the Government contributed to the transportation infrastructure in the same manner as a private developer in an effort to develop the Franconia site? (The Army intends to do this in the development of the Engineer Proving Grounds at Fort Belvoir.)

Admiral **DOEBLER**. Answer provided by GSA. The existing transportation infrastructure in the Springfield/Franconia area cannot support the additional 3 million occupiable square feet at the Franconia site. Preliminary discussions with Fairfax County transportation planners and Virginia Department of Transportation authorities indicate that significant enhancements to the road network would be required in order to proceed with development on anything approaching this scale; however, no estimates have yet been prepared as to the costs of these enhancements.

GSA is proceeding with a full masterplan study of the Franconia site. In 6 to 9 months, the contractor will be far enough along in the masterplanning process to be able to identify the upper limit on the square footage which can be developed on this site, and the extent of infrastructural improvements for surface transportation.

Senator **WARNER**. What is the status of proposed legislation to give the Navy authority for a lease purchase arrangement for development of the necessary office space?

Admiral **DOEBLER**. We are not aware of any proposed legislation giving Navy authority for a lease-purchase arrangement. The Solicitation for Offers, to be issued by GSA, requires respondents to prepare offers using a lease-purchase arrangement in their mix of financing approaches. If the arrangement in their mix of financing approaches. If the winner of the competition employs a lease-purchase approach, then GSA will seek congressional approval to award the contract.

Senator **WARNER**. Did the Secretary of Defense's Commission on Base Realignment and Closure make any recommendations concerning the Navy's presence in the National Capital Region?

Admiral **DOEBLER**. The Commission endorsed the long term planning goals embodied in "A Report to the Congress on DOD Administrative Space Planning for the National Capital Region." The Navy plan to develop long range alternatives to reduce the cost of lease space was specifically incorporated into the DOD plan.

Senator **WARNER**. What is the average cost per square foot of existing Navy leased office space? What is the objective price in your relocation efforts per square foot?

Admiral **DOEBLER**. The average cost to Navy for leased space in Crystal City and the Hoffman Complex is currently $23.24 per square foot for fiscal year 1989 and estimated to increase to between $27.71 and $30.80 in fiscal year 1990.

Our objective is to stabilize the cost of office space over the long term and get eventual ownership of the facilities. We feel this can be done with a significant savings over the current method of providing office space.

FORT BELVOIR

Senator **Warner**. There has been concern expressed by local Government agencies and the public that development of Fort Belvoir will lead to increased traffic on already over-utilized public roads in Fairfax County and other nearby municipalities.

How will the Army address this issue?

Mr. **Johnson**. Fort Belvoir and Fairfax County officials have agreed that the Army will be treated the same as a developer would be. It was also agreed that a task force, that would include representatives from Lee, Mount Vernon and Springfield Districts, the County staff and the Army, would be set up to work out issues in a manner acceptable to the Army and the County. Environmental studies related to development may proceed separately so that work may proceed without undue delay, but the Army is committed to deal with the cumulative impacts of the studies. The Army will not proceed with construction work until we have agreed with the County on how the Army will deal with the transportation network.

Senator **Warner**. Why expand Fort Belvoir, which is in an already congested area, when other communities outside the Washington area would welcome new agencies on the military installations in their area?

Mr. **Johnson**. The Army has agencies in the National Capital Region because of their important interaction with Army Headquarters and with Congress. Moving these agencies outside the National Capital Region would not allow this interaction. By relocating them to the Engineer Proving Grounds the interaction would continue, while avoiding $42 million in the rental costs per year.

Senator **Warner**. What is the development concept for the Engineer Proving Grounds (or EPG) at Fort Belvoir?

Mr. **Johnson**. Currently, the Army is paying $42 million in annual rent for office space in the area. The basic concept of this public/private initiative is to sell, lease, or exchange EPG lands for a "built" office environment that meets the Army needs and avoids much of the current annual rental costs.

This development concept is to encourage the sale, lease, or exchange of the 820-acre parcel to a private developer who would, in turn, construct needed office facilities for the Department of the Army on a portion of the site and develop the rest of the site for mixed use. The earliest the Army envisions any construction on the site is 1992 or 1993.

Senator **Warner**. The U.S. Army Engineer School will complete its relocation from Fort Belvoir, Virginia, to Fort Leonard Wood, Missouri, during fiscal year 1990. There is a $23 million project in the Army's budget to renovate old Engineer School buildings at Fort Belvoir.

How many square feet of rental space are currently being occupied by personnel who will move into this space?

What is the current and projected annual cost of this rented space?

Do you anticipate any difficulty terminating these leases?

How many people will this action bring into Fort Belvoir?

Mr. **Johnson**. The General Services Administration currently leases 151,838 square feet of rental space, occupied by 1,134 personnel who will move to Fort Belvoir. The total cost to rent the current facilities is $3.2 million per year. Additionally, the Army leases several offices, classrooms, and conference rooms at the Maritime Institute in Baltimore, Maryland, at an annual cost of $99,780. This lease provides instructional space for approximately 21 faculty members and 80 students of the Army Management Staff College, who will also be moving to Belvoir. No difficulty terminating these leases is currently anticipated.

ARMY MATERIEL COMMAND [AMC]

Senator **Warner**. How will the Army Materiel Command (AMC) facility be paid for?

Mr. **Johnson**. Under Article 10 U.S.C. 2809, private developers would be responsible for finance, design, construction and operational costs of the new facility. The Army Materiel Command would make lease payments from normal Headquarters operational funds. Article 10 U.S.C. 2809 was passed as a "test" law in fiscal year 1986. It authorizes the Secretaries of the services to enter into a facilities contract with private developers to construct, operate and manage facilities on or near a military installation for providing specified services to the military services.

ENGINEER PROVING GROUNDS

Senator **WARNER**. Is the public/private initiative at the Engineer Proving Grounds different than the authority currently provided under 10 U.S.C. 2809?

Mr. **JOHNSON**. Yes. Under section 2809 authority, the Army would have an annual lease payment. Under the public/private initiative, the Army would own those facilities received in exchange for private development right on the remaining real estate. There is currently no existing legislative authority to do what we want to do at the Engineer Proving Grounds.

Senator **WARNER**. Is the Engineer Proving Grounds action a change to the Army's previous plan for Fort Belvoir and relocation of activities in the National Capital Region?

Mr. **JOHNSON**. This is an expansion of the previous plan. Essentially, previously announced realignments remain valid and will be implemented. The 1985 plan announced the following:

Relocation of the U.S. Army Engineer Center and School to Fort Leonard Wood, Missouri.

Relocation to Fort Belvoir of the U.S. Army Intelligence and Security Command, the U.S. Army Corps of Engineers, and the U.S. Army Medical Personnel Support Agency.

That plan remains intact with the following exceptions:

The Medical Personnel Support Agency was integrated into another agency and is no longer available to relocate.

Additionally, two troop units are being relocated from Fort Belvoir and one deactivated.

The expansion of the plan announced in August 1988 includes:

Relocation of the Army Materiel Command, the Military Traffic Management Command, and the Community and Family Support Center to Fort Belvoir.

The Army Management Staff College will consolidate permanently to Fort Belvoir.

A further expansion was announced in December 1988.

The intent to explore the public/private development concept at the Engineer Proving Grounds to provide facilities for our leased space tenants in the National Capital Region.

The Defense Secretary's Commission on Base Realignments and Closure announced the relocation of Cameron Station activities, the U.S. Army Criminal Investigation Command, and a Research and Development Laboratory to move to Fort Belvoir, while relocating components of the U.S. Army Information Systems Command from Fort Belvoir.

Senator **WARNER**. Is the Engineer School gone?

Mr. **JOHNSON**. No. The headquarters was moved on May 31, 1988, but most elements of the school are still at Fort Belvoir. A major phase of the move took place in the summer 1988; another will take place in summer 1989. Right now, the Engineer School is a tenant organization at Fort Belvoir. The Engineer School is to be completely moved to Fort Leonard Wood by early 1990.

NATIONAL CAPITAL REGION

Senator **WARNER**. Did the Defense Secretary's Commission on Base Realignments and Closure have any comments on DOD's presence in the National Capital Region (or NRC)?

Mr. **JOHNSON**. In addition to closing Cameron Station, the Commission reviewed the results of a master-development planning effort documented in "A Report to the Congress on DOD Administrative Space Planning for the National Capital Region", dated May 1988, conducted under the auspices of the Office of the Secretary of Defense.

The Commission noted that much of the DOD-occupied administrative space in the NCR is leased, that lease costs in the NCR are among the highest in the nation, and that occupancy costs for DOD space in the NCR are expected to soar in the next 10 years unless remedial action is initiated.

Consequently, the Commission endorses the broad planning goals developed in the study and urges the Secretary of Defense to consider long-range alternatives to reduce the cost of leased space in the NCR. The Commission specifically encourages the Army's public/private development plans for the Fort Belvoir Engineer Proving Grounds. The development concept is to encourage the sale or exchange of the 820-acre parcel to a private developer who would, in turn, construct needed office facilities for the Department of the Army on a portion of the site, and develop the balance of the site as private offices, parks, and residential communities. The Commission supports the passage of special legislation authorizing the public-private development and similar DOD initiatives in the National Capital Region. Certain of the Commission's recommendations with respect to Fort Meade, Maryland, are also in consonance with this concept.

FORT BELVOIR

Senator WARNER. While the Army's public/private initiative at Fort Belvoir would consolidate leased space activities, what actions have been taken that would reduce the Army's presence in this high-cost region?

Mr. JOHNSON. In addition to actions which the Army is taking to eliminate its leased space requirement in the National Capital Region, some other actions which are underway which affect the Army are:

Closure of Arlington Hall Station and Cameron Station.

Relocation of the Engineer School from Fort Belvoir to Fort Leonard Wood, Missouri.

Relocation of the 30th Engineer Battalion from Fort Belvoir to Fort Bragg, North Carolina.

Relocation of the 15th Evacuation Hospital from Fort Belvoir to Fort Polk, Louisiana.

Inactivation of the 11th Engineer Battalion at Fort Belvoir.

Relocation of a portion of the Military District of Washington's Finance and Accounting Office to St. Louis, Missouri.

Studying the relocation of certain software functions in the National Capital Region leased space to a location outside the National Capital Region.

The elimination of 9,000 acres of training land at Fort Meade by the Base Closure Commission.

Senator WARNER. Since the Army will need special legislative authority to pursue the public/private initiative at Fort Belvoir, can the Army provide the Congress with a draft of the required legislation?

Mr. JOHNSON. Yes. The Army has drafted the following proposed legislation for your use.

SEC. . LAND CONVEYANCE, FORT BELVOIR, VIRGINIA

(a) IN GENERAL.—Notwithstanding any other provision of law, and subject to subsections (b) through (f), the Secretary of the Army (hereafter in this section referred to as the "Secretary") is authorized to convey any interest of the United States in and to all or any portion of the approximately 820 acres of land at Fort Belvoir, Virginia, known as the Engineer Proving Ground.

(b) The Secretary may make a conveyance authorized under subsection (a) only to the successful proposer(s) (hereinafter referred to as the "grantee") for the balanced, mixed-use development of the real property (including infrastructure improvements to, for example: public transportation systems, utilities, telecommunications on and off the property), in accordance with detailed plans and terms of development (hereinafter referred to as the "master plan") formulated by the Secretary and agreed to by Fairfax County, Virginia, and the Commonwealth of Virginia.

(c) In consideration for the conveyance authorized under subsection (a), the grantee shall, pursuant to an agreement to be entered into between the grantee and the Secretary, construct facilities and infrastructure improvements on the Engineer Proving Ground, and/or at any other Army installation, and in reasonable vicinity of such installations as may be required to support construction on such installations as agreed to by the appropriate local governing authorities, for the Department of the Army in accordance with plans and specifications approved by the Secretary.

(d) CONDITIONS.—

(1) The cost (as determined by the Secretary) of the facilities and infrastructure improvements to be provided by the grantee under subsection (c) shall not be less than the fair market value of the real property interest authorized to be conveyed by the United States to the grantee under subsection (a).

(2) The Secretary shall select the grantee using competitive selection procedures determined by the Secretary. Such procedures shall take into account the technical sufficiency of the proposals and cost will be a factor. The grantee shall enter into an agreement with the Secretary to develop the real property, to be conveyed to the grantee under subsection (a), and to make infrastructure improvements on and off the property in accordance with the master plan. Such agreement shall set forth the terms and conditions under which the conveyance will be executed and may be made subject to review and approval by the County of Fairfax and the Commonwealth of Virginia.

(3) The Secretary may not enter into any agreement for the conveyance of the real property or any interest therein referred to in subsection (a) until a period of 21 days has expired following the date on which the Secretary has submitted a report of the facts concerning the proposed conveyance to the Committees on Armed Services of the Senate and House of Representatives.

(4) The Deed of Conveyance shall provide that if for any reason the grantee is unable or unwilling, as determined by the Secretary, to construct or complete the facilities and infrastructure improvements described in subsection (c), or to develop the real property in accordance with paragraph (2) of this subsection, any and all right, title, and interest in and to the real property conveyed under subsection (a) shall automatically revert to the United States which shall have the immediate right of possession thereof.

(e) ADDITIONAL TERMS.—The Secretary may require such additional terms and conditions with respect to the conveyance as the Secretary considers appropriate to protect the interest of the United States.

QUESTIONS SUBMITTED BY SENATOR STROM THURMOND

DOD PRESENCE IN THE NATIONAL CAPITAL REGION (NCR)

Senator THURMOND. Mr. Meehan, the Department has proposed that the Secretary of Defense assume control and operation of the Pentagon from the General Services Administration. The Department justifies the transfer by stating that an administrative layer will be eliminated and that the Department will be responsible for much needed renovations to the Pentagon.

What impact will this proposal have on the Defense Department in terms of additional operating funds and personnel?

Mr. MEEHAN. Senator Thurman, on October 1, 1987, GSA delegated to the Department the day to day operation, maintenance and protection of 33 buildings in the NCR, including the Pentagon. As part of this delegation, about 1,350 personnel were transferred from GSA to the Department. In view of the fact that the Department is already, albeit with oversight by GSA, performing the day to day operations for these buildings, the transfer of the Pentagon will not require any additional personnel. The Department pays GSA "rent" for these 33 buildings, including the Pentagon. These payments are including as part of the Department's operation and maintenance account. With the transfer of the Pentagon from GSA to Defense, we will no longer pay "rent" to GSA for the Pentagon and FB–2. The "rent" payment to GSA for the Pentagon Reservation is estimated to be about $79.6 million in fiscal year 1990, while we estimate it would cost around $45 million to operate and maintain the buildings. A difference of $38 million. The point is that even if we spend $50 million to operate the Pentagon Reservation, by not paying "rent" to GSA, this amount is less than the payment to GSA and no additional operating funds would be required.

An even more important point in consideration of the transfer is that as long as the building is under the control of GSA, additional funds from GSA for repairs at the Pentagon must compete with GSA's national priorities, rather than the National Military Establishments priorities. These priorities could be in conflict and have been in past. Instead of GSA making the final decisions on the allocation of resources, the Department will make the decisions.

UNACCOMPANIED PERSONNEL HOUSING

Senator THURMOND. Based on the information in your prepared statement, the Army has reduced its funding request for Unaccompanied Personnel Housing by an average of 24 percent over the next 2 years. Your statement indicates that despite this reduction you believe that you are continuing to improve the quality of life for your soldiers. With such drastic reductions I find it difficult to believe that you are improving the living conditions of the single soldier. Would you please expand on how you are improving the living conditions.

General OFFRINGA. The Army has modernized and constructed almost 100,000 barracks spaces over the past 9 years for single soldiers. As the Army approaches completion of construction for the new barracks requirements, we must consider the effects of force adjustments, base closures, and budget reductions, and confirm all requests for barracks against requirements in order to avoid overbuilding. The 24 percent reduction in the request for unaccompanied housing over the next 2 years reflects this caution. Even under a reduced program, the Army will construct 3,310 new or modernized-barracks spaces in fiscal year 1990 and 3,412 spaces in fiscal year 1991. The Army will continue to place the highest emphasis on providing the single soldier with the best possible housing. Future efforts will be concentrated on modernization of existing barracks spaces.

ARMY FACILITIES FUNDING

Senator THURMOND. We all realize that because of the budget constraints each of the services had to make some adjustments in their budget requests. You indicated that the major change to the Army's budget request was to delay lower priority projects from the fiscal 1990 program to the fiscal year 1991 program.

How many projects were effected by this shift and what was the dollar amount associated with these projects?

General OFFRINGA. Due to the budget constraints, 20 projects valued at $111,360,000 were deferred from the fiscal year 1990 program to the fiscal year 1991 program. A favorable change in the budgeted foreign currency exchange rates caused the same projects to be valued at $106,710,000 in the amended fiscal year 1991 budget.

FACILITIES MODERNIZATION

Senator THURMOND. I have heard reports on the deplorable living conditions of our soldiers assigned to the Second Infantry Division. Therefore, I'm pleased that the Army is significantly improving these conditions.

Could you tell this committee, what specific improvements you will be making and when you anticipate completion of the projects?

General OFFRINGA. Tremendous strides have been made in the 1980's to improve the living conditions for our soldiers in Korea and continued emphasis will be placed in this area until all soldiers are living in quality facilities. At the present time, there are approximately 6,700 Second Infantry soldiers still living in quonset hut or other temporary type facilities. From fiscal year 1984 to fiscal year 1987, $95 million was spent for housing in the division area. From fiscal year 1988 to fiscal year 1992, $69 million has been authorized or is programed for housing soldiers of the Second Division. Occupancy for the fiscal year 1988 projects is scheduled to commence this fall and will continue through the latter part of 1990. In fiscal year 1989, there were three projects for $12.1 million authorized. From fiscal year 1990 to fiscal year 1992, there are 11 housing projects programed at a total cost of $57 million for the Second Division. Occupancy for these projects is projected to be within 1 to 2 years from the program year. Assuming the continued support from Congress at current funding guidance levels, the elimination of temporary living facilities for Second Infantry Division will be completed in fiscal year 1996.

ALTERNATE ACCESS ROAD TO NAVAL WEAPONS STATION AT CHARLESTON

Senator THURMOND. I understand that the Department of the Navy has not supported a $5.0 million request to construct an alternate access road to the Naval Weapons Station at Charleston. It is my understanding that this proposed access road from the Station's waterfront to the main Naval Base Complex is necessary for safety, economy and operational reasons.

In view of safety impact can you tell me why the Navy has not supported this road construction?

Admiral DOEBLER. The Navy is supporting this project, because of the reasons cited, for earliest possible programing in an annual construction budget, and has advanced the design timetable such that it is now 100 percent complete. Environmental assessment will be completed this fall. The constrained funding levels in fiscal year 1990 and 1991 prevented the project's inclusion therein. The existing access route using public roads and Red Bank Road is 10 miles longer, heavily trafficked, and inefficient. The safety concerns, while serious, are being dealt with in the interim by limiting vehicle trips between stations, staggering work hours, using off-peak periods for travel and surveillance of drivers.

MILCON BACKLOG

Senator THURMOND. General Downs, your formal statement reflects a $2.8 billion military construction backlog. How long can the Marine Corps carry such a backlog before it will impact on the readiness and morale of the Marines?

General DOWNS. The Marine Corps is dedicated to providing our service personnel and their families with quality facilities in which to work and live. Our current backlog of $2.8 billion consists of projects which impact on mission readiness and sustainability as well as quality of life for our Marines. Therefore, the current program, as in the past, proposes to reduce the construction backlog in each of these areas. The projects which comprise our program were selected as those which are most essential in each area to maintain personnel and material readiness. Those projects which, due to the current austere funding climate, must be deferred until later fiscal years comprise our construction backlog. The Marine Corps will continue to carry this backlog until such time as the funding climate improves. This will necessitate extending the use of existing facilities beyond their useful life by maintaining a vigorous maintenance and repair program to offset any overall negative impact that a severely constrained military construction program would have on the Marine Corps. We are ensuring that the most urgent projects are executed and the projects with the least operational and quality of life impact are backlogged. Efficient management of resources should preclude any impact on readiness and morale of the Marines during the current budget climate.

[Whereupon, at 3:45 p.m. the subcommittee was adjourned.]

DEPARTMENT OF DEFENSE AUTHORIZATION FOR APPROPRIATIONS FOR FISCAL YEARS 1990 AND 1991

THURSDAY, JUNE 8, 1989

U.S. SENATE,
SUBCOMMITTEE ON READINESS,
SUSTAINABILITY AND SUPPORT,
COMMITTEE ON ARMED SERVICES,
Washington, DC.

ENVIRONMENTAL RESTORATION PROGRAMS IN THE DOD

The subcommittee met in open session, at 2:04 p.m. in room SR-232A, Russell Senate Office Building, Senator Alan J. Dixon (chairman of the subcommittee) presiding.

Committee members present: Senators Dixon, Wirth, Wilson, Gorton, and Coats.

Professional staff members present: Robert E. Bayer, Sherri W. Goodman, David S. Lyles, and Patricia L. Watson.

Minority staff members present: Patrick A. Tucker, minority staff director; Ronald P. Kelly and George W. Lauffer, professional staff members.

Staff assistants present: Barbara L. Braucht, Mary J. Kampo, and Melissa A. Ramsey.

Committee members' assistants present: Charles C. Smith, assistant to Senator Dixon; Jefferson B. Seabright, assistant to Senator Wirth; Terrence M. Lynch, assistant to Senator Shelby; Dudley L. Carlson, assistant to Senator Wilson; Robert M. Soofer, assistant to Senator Gorton, and Eric H. Thoemmes, assistant to Senator Coats.

OPENING STATEMENT OF SENATOR ALAN J. DIXON, CHAIRMAN

Senator DIXON. Ladies and gentlemen, this afternoon the Subcommittee on Readiness, Sustainability and Support continues our hearings on the amended fiscal year 1990–91 Defense authorization request. Our subject today is the Defense Department's environmental restoration program.

In the last several years, there has been a great deal of public attention focused on the issue of clean-up of hazardous wastes at the Department of Energy facilities. The recent activity of the Defense Department's Base Closure Commission, however, reminded us that there is a very active, important and costly program of environmental restoration within the Department of Defense.

DOD is now spending over $1 billion a year to clean up hazardous wastes at current and former defense installations around the country and to bring DOD activities in compliance with environmental laws. The total cost to clean up these sites has been estimated as high as $15 billion over the next 15 to 20 years. Frankly, however, I expect these costs are conservative because of the scientific and technical uncertainties involved in many of the proposed clean-up activities.

This is the first hearing by the Armed Services Committee on the Defense Department's enviromental restoration program. The subcommittee looks forward to receiving a report on the Department's progress in cleaning up current hazardous sites, as well as DOD's efforts to minimize the production of hazardous wastes in the future.

Mr. William H. Parker, the Deputy Assistant Secretary of Defense for Environment, is our principal witness this afternoon, and Mr. Parker is accompanied by Col. Hugh McAlear, the Special Assistant to the Deputy Assistant Secretary of the Army for Environment, Safety and Occupational Health; Ms. Nancy Stehle, the Deputy Director for Environment in the Office of the Assistant Secretary of the Navy for Shipbuilding and Logistics; Col. Stephen Termaath, the Director of the Environmental Division of Air Force Systems Command; and Mr. Jan Reitman, the Chief of the Environmental Policy Office of the Defense Logistics Agency.

We, of course, welcome all of you to the subcommittee this afternoon. We have had an opportunity to review your prepared statements, and, of course, these statements will be entered in the record. I understand Mr. Parker will give an opening statement for the whole panel.

Mr Parker, we would appreciate it if you could limit your remarks to about 15 minutes to allow the subcommittee more time for questions and discussion. And I am sure that others will be here shortly; as a matter of fact; Senator Tim Wirth is very much interested in this and may ultimately chair the concluding part of the hearing.

And, Mr. Parker, we are delighted to have you here and thank you for accommodating the subcommittee.

[The prepared opening statements of Senators Gorton, Thurmond, and Coats follow:]

Prepared Statement by Senator Slade Gorton

Thank you Senator Dixon.

I too would like to welcome the witnesses to this hearing today on the Department of Defense environmental policies and funding requested in the fiscal year 1990-91 amended budget.

We have reached a point in time where the DOD programs are transitioning from a majority of study and review actions to one of corrections and cleanup actions. The correction and cleanup actions will be much more expensive than studies. This transition comes at a time when defense budgets are decreasing. The DOD has recommended level funding because of the budget constraints and a policy of taking actions using a "worst first" priority.

We need to evaluate these recommended funding and priority policies to ensure the Department meets its social responsibilities. However, we must balance these needs with the potential impact on defense budgets and military capability.

Because of the sensitivity of these programs and potential legislation before the Congress, I urge the DOD to respond promptly to any remaining questions after this hearing.

PREPARED STATEMENT BY SENATOR STROM THURMOND

Thank you, Mr. Chairman, I join you in welcoming our distinguished panel members to testify on this important subject. Environmental restoration is an investment in our future and that of our children.

Since the Congress established the Defense Environmental Restoration Program in 1984, the Armed Services have made great strides in improving the environment on military installations. However, as envidenced by the statements this afternoon, they have a long way to go.

Mr. Chairman, the Congress has an obligation to the Armed Services and the communities which are near our military installations to support the funding of the environmental restoration programs. I urge my distinguished colleagues to support this worthy endeavor. It is as vital to the future of our Nation as the latest weapon system.

Thank you, Mr. Chairman.

PREPARED STATEMENT OF SENATOR DAN COATS

Mr. Chairman: I am deeply concerned about the pressing environmental problems confronting us by the base closure actions. The Department of Defense has repeatedly assured the American public that it would clean up these bases, yet we lack both a cohesive policy and a funding plan to responsibly address the issue.

As you know, the Secretary's Commission on Base Realignment and Closures did not consider any environmental issues in its report. To each acknowledged environmental problem, the Commission repeatedly stated that "clean up is independent of closure," and assumed that the Defense Environmental Restoration Program would cover the costs. But considering closures in a vacuum is extremely problematic.

First, it excuses us from a responsible analysis of our capability to undertake these clean-ups. As you know, the Defense Environmental Restoration Program receives an annual appropriation of approximately $500 million. Yet there are more than 8,000 sites on our military installations waiting for clean-up funds. In Indiana, we will likely need at least this amount to simply allow limited and controlled access to much of the Jefferson Proving Ground.

Second, it results in flawed analyses of cost savings. The problem is readily illustrated by the Jefferson Proving Ground in my State. Since World War II, Jefferson has tested over 22 million rounds of munitions, many with depleted uranium penetrators, on a 55,000 acre range. The Army estimates that as many as 900,000 unexploded shells remain unrecovered. Some of these munitions contain white phosphorous, which can remain unburned in the ground for many years, and will ignite on contact with the air. The Department of Defense has never undertaken a clean-up of the magnitude of complexity required at Jefferson. Indeed, the technology needed of substance clean-up is still being developed.

Yet the Commission concluded that the entire proving ground could be sold for a profit of $25 million. The Commission reached this figure by assuming it could sell every acre of the proving ground for $450, which is the going rate for prime farm land. Despite our love of agriculture, I know of no Hoosier interested in pulling a plow through these fields.

The truth is that DOD's own regulations prohibit releasing land for unrestricted use unless it can be verified that the risk is minimal. Simply stated, DOD cannot sell much of our land. Without this profit, the payback period of closing JPG extends for years.

In a preliminary report issued to me recently, the General Accounting Office reported that it would take 28 years to realize savings on the closure, assuming no funds were invested in cleanup. The Army Toxic and Hazardous Material Agency developed a very rough estimate of the costs needed to convert the land into a controlled access wildlife refuge. If this minimal investment is factored, as required by regulation, the payback extends beyond a hundred years. The Indiana Department of Environmental Management cautions that we should expect to spend at least $550 million to convert the land into a refuge, delaying payback for generations.

The purpose of the base closure actions is to save the American taxpayer billions of dollars by streamlining our base structure. These are worthwhile goals. Yet we must insist that the objectives are actually met. We must prioritize scarce resources, and focus on those activities which will enable our communities to use the land productively. We must ensure that we have the means and the determination to responsibly meet our obligation to the environment and to our citizens.

STATEMENT OF WILLIAM H. PARKER III, P.E., DEPUTY ASSISTANT SECRETARY OF DEFENSE FOR ENVIRONMENT, OFFICE OF THE SECRETARY OF DEFENSE, ACCOMPANIED BY COL. HUGH M. McALEAR, USA, SPECIAL ASSISTANT TO THE DEPUTY ASSISTANT SECRETARY FOR ENVIRONMENT, SAFETY AND OCCUPATIONAL HEALTH, OFFICE OF THE ASSISTANT SECRETARY OF THE ARMY FOR INSTALLATIONS AND LOGISTICS, NANCY STEHLE, DEPUTY DIRECTOR FOR ENVIRONMENT, OFFICE OF THE ASSISTANT SECRETARY OF THE NAVY FOR SHIPBUILDING AND LOGISTICS, COL. STEPHEN G. TERMAATH, USAF, DIRECTOR, ENVIRONMENTAL DIVISION, HEADQUARTERS, USAF SYSTEMS COMMAND, AND JAN B. REITMAN, CHIEF ENVIRONMENTAL POLICY OFFICE, DEFENSE LOGISTICS AGENCY

Mr. PARKER. Thank you, Mr. Chairman. I am pleased to appear before you today and have the opportunity to discuss the progress the Department of Defense has made in implementing our hazardous waste programs and place them in a broader context of all DOD's environmental programs and describe the relationship of these activities to the fulfillment of DOD's mission.

We are currently spending over $1 billion annually on environmental protection and compliance activities. DOD has 5,000 to 6,000 people working full-time on a wide range of environmental programs. They work hard to prevent pollution and manage natural and historical resources on about 25 million acres of land. Their good work not only protects the health and environment of our people, but the communities near our installations as well. I would like to emphasize that most of our problems exist within the boundaries of our installations and we are making every necessary effort to protect our people.

Our programs, attachment 1, which was handed out with our testimony, help keep the air clean, treat sewage and industrial waste water, provide safe drinking water, mitigate radon in our buildings, ensure safe use of pesticides and deliver a host of other environmental benefits. We work hard to integrate environmental issues into all the various appropriations and programs. At DOD, we want environmental stewardship to be everyone's business.

In my testimony today, I will focus first on the Defense Environmental Restoration Program, the DERP; second, Resource Conservation and Recovery Act, RCRA, compliance, and next, pending legislation relating to both these areas. I will also specifically address base closures, H.R. 1056, funding concerns and draft House bills to improve all of our hazardous waste activities.

ENVIRONMENTAL RESTORATION

Let me say from the outset that the Department of Defense is serious about its commitment to meet its environmental obligations. The Department's policy falls into three categories. First, compliance to the same extent as the rest of the regulated community; second, stewardship. We have a responsibility to conserve and enhance the land, air, water and natural resources on DOD property and properties we are responsible for. And third, cooperation. We want to conduct our operations openly to the extent permitted by our national security mission and in partnership with the EPA, the States and local agencies.

As a member of the Federal facilities' environmentally regulated community, we have set the following goal for DOD:

> The DOD should lead Federal agency environmental enhancement efforts by programming and budgeting sufficient resources and by incorporating environmental awareness and programs into all our appropriate activities and operations.

The Department of Defense, like private industry, conducts many industrial processes in manufacturing operations which utilize large amounts of industrial chemicals to accomplish its mission. The Defense Environmental Restoration Program provides an expanded effort to clean up contamination from past hazardous waste discharge.

However, there is concern over the escalating cost of environmental compliance. In particular, the impact of additional resource needs in the face of a declining Defense budget is becoming critical. Since the inception of our environmental restoration program, the IRP, it has been the Department's policy to clean up sites on a worst-first basis nationwide. I count on the committee and other Members of Congress to support this approach and resist legislation which would detract from the Department's effort to get on with the clean-ups. We must remember, our mission is to move dirt and pump water in these cleanup efforts.

INSTALLATION RESTORATION

Next I would like to talk about installation restoration. The first part of the DERP is the installation restoration program to identify, investigate and clean up contamination on military installations. Studies and clean-ups are conducted through a complex and lengthy process including numerous technical reviews and public participation.

As of September 30, 1988, there were 8,139 sites on 897 currently controlled installations with a potential for contamination. DOD has already responded at 216 of these sites and another 4,054 are undergoing studies or are in some stage of remediation.

From our past experience, DOD has learned that we must take steps to ensure that we do not create future problems. Therefore, environmental restoration funds are also used for the promoting of DOD total quality management of hazardous materials. This program constitutes the second part of the defense environmental restoration program.

The third part of the DERP is building demolition and debris removal of unsafe structures on installations. In fiscal years 1988 and 1989, funds have not been programmed for this sub-element because of a declining defense budget. The Department recognizes the need to address these concerns. However, we must use our limited resources on hazardous or toxic contamination, which, if left unchecked, would have greater impact. Currently, DOD has 36 sites on the national priority list, the NPL; 16 more sites proposed for listing and, ultimately, we expect up to 200 sites to be listed.

We have a desire to conduct work with a maximum amount of useful input from the public, EPA and the States. We are doing this through inter-agency agreements, IAGs, and, although we have started the IAG process early, we are finding the process complicated and resource-intensive. We are also working to put defense and State memoranda of agreements in place that will provide the States with a meaningful role throughout our process on non-NPL sites in key areas.

RCRA COMPLIANCE

Next, I would like to address RCRA compliance in H.R. 1056. We are trying to avoid creating more sites that we will need to clean up in the future through total quality management of hazardous material and full compliance with EPA and applicable State requirements for sound management of hazardous waste.

Most applicable standards are based on statutory authority of the Resource Conservation and Recovery Act, RCRA. In the House, there has been strong questioning of our RCRA commitment through the significant advancement of H.R. 1056, a bill to remedy perceived compliance problems. And I would like to underscore the word "perceived."

We are alarmed that it will produce counter-productive effects. That is, for example, by authorizing States to levy fines and penalties against us. While in the face of it, enforcement may sound like the way to push us faster, it must be recognized that it robs us of the one resource that we really need: money. And, again, I would emphasize money.

BASE CLOSURE IMPACT

Now let me turn to base closure impact. In regard to base closure legislation, the clean-up of contamination from past hazardous waste activities will be accomplished within the priorities of the environmental restoration program, using funds provided by Congress for that purpose, regardless of whether closure or realignment is involved. However, it is our policy that if base closure locations or timetables are not consistent with worst-first priorities, or if clean-ups involve other activities, then other funding sources will be used.

As a subset, let us look at the environmental restoration cost related to base closure. Because clean-up actions cannot be precisely defined in advance, schedules and costs are difficult to estimate at our current stage of the process. The true impact of restoration activities cannot be determined until remedy selection is complete and agreement reached with the regulatory agencies. As I am sure you know, this is a time-consuming and highly structured process, which, by law, we are required to comply with.

PROPERTY TRANSFER

Next, I would like to look at property transfer related to base closures. As you know, under current law the Department of Defense remains liable for the consequences of hazardous or toxic contaminants at its properties even though all known, reasonably foreseeable contamination has been removed. This is a matter of serious concern to us. The risks resulting from loss of control will be taken into account in selections of remedy actions.

Finally, Mr. Chairman, in conclusion, the DOD has made considerable commitment to environmental concerns, both in dollars and manpower. We are proud of the progress that we have made in cleaning up hazardous waste sites and addressing other environmental issues within austere budget times. However, the cost of environmental compliance in all media, air, water, hazardous waste, et cetera, is increasing as budgets are decreasing. Therefore, requirements must be dealt with in a more even-handed and realistic approach than in the past.

The cost of compliance and appropriate timetables to implement programs must be considered when Congress passes environmental laws. If this is not done, DOD will be put in the position of being in non-compliance.

Historically, this has resulted in increased public pressure to beat up the Department. In the future, it could force DOD and the Congress in a position of allocating significantly higher dollar amounts—it could reduce our war-fighting capabilities. Our annual cost of compliance is well over $1 billion when you consider the DERA and Service O&M and Milcon programs.

As you are aware, there are also environmental considerations in other aspects of the defense programs, such as weapon system development, mobilization and arms reduction. To date, the cost of compliance has come at the expense of other vital defense programs. The most viable example is the debate going on over the implementation of base closure initiatives, as I mentioned before.

Compliance with environmental protection laws has become the focus. The clean air, clean water, resources conservation and recovery, national historical preservation, endangered species, safe drinking water, and Superfund amendments and reauthorization acts, to name a few, have been with us. Before, these costs have been less obvious than they have with base closure, which has brought them to the forefront. These requirements have and will continue to grow.

Currently, we are working to improve management information systems to both better identify these costs and tie them to the budget process to fund the most needed projects on a priority basis. It must be recognized that we have many projects to fund across all environmental media, not just hazardous waste clean-ups.

Laws are becoming more stringent and the public is anxious to have these problems addressed. But we must do this while carrying out our national defense mission and in accordance with congressional direction. We will continue to improve our compliance record and will strive to be the Federal facilities' environmental leader in the regulated community.

Mr. Chairman, I want to thank you for allowing us to come today and talk to you and the committee about our environmental programs. At this time, we will be happy to address any of your questions. Again, thank you very much.

[The prepared statements of Mr. Parker, Ms. Stehle, Colonel McAlear, Colonel Termaath, and Mr. Reitman follow:]

STATEMENT OF

WILLIAM H. PARKER, III, P.E.
DEPUTY ASSISTANT SECRETARY OF DEFENSE
(ENVIRONMENT)

INTRODUCTION

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

I AM PLEASED TO APPEAR BEFORE YOU TODAY AND HAVE THE OPPORTUNITY TO DISCUSS THE PROGRESS THE DEPARTMENT OF DEFENSE HAS MADE IN IMPLEMENTING OUR HAZARDOUS WASTE PROGRAMS, PLACE THEM IN A BROADER CONTEXT OF ALL DOD'S ENVIRONMENTAL PROGRAMS AND DESCRIBE THE RELATIONSHIP OF THESE ACTIVITIES TO THE FULFILLMENT OF DOD'S MISSION.

WE ARE CURRENTLY SPENDING OVER A BILLION DOLLARS ANNUALLY ON ENVIRONMENTAL PROTECTION AND COMPLIANCE ACTIVITIES. DOD HAS 5,000 - 6,000 PEOPLE WORKING FULL TIME ON A WIDE RANGE OF ENVIRONMENTAL PROGRAMS. THEY WORK HARD TO PREVENT POLLUTION AND MANAGE NATURAL AND HISTORICAL RESOURCES ON ABOUT 25 MILLION ACRES OF LAND. THEIR GOOD WORK NOT ONLY PROTECTS THE HEALTH AND ENVIRONMENT OF OUR OWN PEOPLE BUT OF THE COMMUNITIES NEAR OUR INSTALLATIONS AS WELL. OUR PROGRAMS (ATTACHMENT 1) HELP KEEP THE AIR CLEAN, TREAT SEWAGE AND INDUSTRIAL WASTEWATER, PROVIDE SAFE DRINKING WATER, MITIGATE RADON IN OUR BUILDINGS, INSURE SAFE USE OF PESTICIDES AND DELIVER A HOST OF OTHER ENVIRONMENTAL BENEFITS. WE WORK HARD TO INTEGRATE ENVIRONMENTAL ISSUES INTO ALL OF THE VARIOUS DOD APPROPRIATIONS AND PROGRAMS. THE TABLE IN ATTACHMENT 1 DEPICTS THAT INTEGRATION -- WE WANT ENVIRONMENTAL STEWARDSHIP TO BE EVERYONE'S BUSINESS.

IN MY TESTIMONY TODAY I WILL FOCUS ON THE DEFENSE ENVIRONMENTAL RESTORATION PROGRAM (DERP), RESOURCE, CONSERVATION AND RECOVERY ACT (RCRA) COMPLIANCE, AND PENDING LEGISLATION RELATING TO BOTH THESE AREAS. I WILL SPECIFICALLY ADDRESS BASE CLOSURES, HR 1056, FUNDING CONCERNS AND DRAFT HOUSE BILLS TO IMPROVE ALL OF OUR HAZARDOUS WASTE ACTIVITIES.

LET ME SAY FROM THE OUTSET THAT THE DEPARTMENT OF DEFENSE IS SERIOUS ABOUT ITS INTENT TO MEET ITS ENVIRONMENTAL OBLIGATION. THE DEPARTMENT'S POLICY CAN BE SUMMED UP IN THREE WORDS:

- COMPLIANCE: TO THE SAME EXTENT AS THE REST OF THE REGULATED COMMUNITY

- STEWARDSHIP: WE HAVE A RESPONSIBILITY TO CONSERVE AND ENHANCE THE LAND, AIR, WATER, AND NATURAL RESOURCES ON DOD PROPERTY

- COOPERATION: WE WANT TO CONDUCT OUR OPERATIONS OPENLY, TO THE EXTENT PERMITTED BY OUR NATIONAL SECURITY MISSION, AND IN PARTNERSHIP WITH THE EPA, THE STATES AND LOCAL AGENCIES

- AS A MEMBER OF THE FEDERAL FACILITIES ENVIRONMENTALLY REGULATED COMMUNITY, WE HAVE SET THE FOLLOWING GOAL FOR DOD:

  THE DOD SHOULD LEAD FEDERAL AGENCY ENVIRONMENTAL ENHANCEMENT EFFORTS BY PROGRAMMING AND BUDGETING SUFFICIENT RESOURCES AND BY INCORPORATING ENVIRONMENTAL AWARENESS AND PROGRAMS INTO ALL APPROPRIATE ACTIVITIES AND OPERATIONS.

DEFENSE ENVIRONMENTAL RESTORATION PROGRAM

THE DEFENSE ENVIRONMENTAL RESTORATION PROGRAM WAS ESTABLISHED IN 1984 TO PROVIDE INCREASED EMPHASIS AND VISIBILITY FOR AN EXPANDED EFFORT TO CLEANUP CONTAMINATION FROM HAZARDOUS WASTE SITES.

THE DEPARTMENT OF DEFENSE, LIKE PRIVATE INDUSTRY, CONDUCTS A NUMBER OF INDUSTRIAL PROCESSING AND MANUFACTURING OPERATIONS WHICH UTILIZE LARGE AMOUNTS OF INDUSTRIAL CHEMICALS TO ACCOMPLISH ITS MISSION. HOWEVER, WE ARE LARGER THAN ANY COMPANY AND MORE COMPLEX -- COMPLIANCE REPRESENTS A GREATER LOGISTICAL CHALLENGE. WE HAVE A WIDE VARIETY OF WASTES AND MANAGEMENT ACTIVITIES TO CONTROL. ALTHOUGH IN THE PAST WASTES FROM THESE OPERATIONS WERE DISPOSED OF BY THE COMMONLY ACCEPTED PRACTICES OF THE TIMES, WE HAVE FOUND THAT SUCH PRACTICES MAY HAVE RESULTED IN ENVIRONMENTAL CONTAMINATION AND RISKS TO PUBLIC HEALTH AND THE ENVIRONMENT. IN RESPONSE TO THAT KNOWLEDGE, PROGRAMS WERE DEVELOPED IN THE LATE 1970'S BY THE MILITARY SERVICES TO IDENTIFY AND ASSESS THE PROBLEMS ON ACTIVE MILITARY INSTALLATIONS. WITH THE PASSAGE OF THE DEFENSE APPROPRIATIONS ACT OF 1984 THE DEPARTMENT'S PROGRAM WAS EXPANDED TO INCLUDE SITES FORMERLY OWNED OR USED BY THE DOD AND BROADENED TO INCLUDE REMOVAL OF STRUCTURES OR DEBRIS WHICH ARE UNSAFE OR CONSTITUTE A HAZARD. ALSO, THE OVERALL MANAGEMENT OF THE PROGRAM WAS CENTRALIZED IN THE OFFICE OF THE SECRETARY OF DEFENSE TO ENSURE A CONSISTENT APPROACH AND ADEQUATE ALLOCATION OF RESOURCES.

THE SUPERFUND AMENDMENTS AND REAUTHORIZATION ACT OF 1986 (SARA) PROVIDES A CONTINUING AUTHORITY FOR AN AGGRESSIVE DOD HAZARDOUS WASTE CLEANUP PROGRAM. IT ALSO REQUIRES CONSIDERABLE ENVIRONMENTAL PROTECTION AGENCY (EPA) AND STATE INVOLVEMENT IN THE EXECUTION OF THE PROGRAM WHICH INCREASES PUBLIC PARTICIPATION, BROADENS CONSIDERATION OF FEDERAL, STATE AND LOCAL

REQUIREMENTS RELEVANT TO CLEANUPS, AND ESTABLISHES MANY OTHER REQUIREMENTS. EXECUTIVE ORDER 12580 ON SUPERFUND IMPLEMENTATION, SIGNED BY PRESIDENT REAGAN ON JANUARY 23, 1987, DELEGATES AUTHORITY AND RESPONSIBILITIES TO THE SECRETARY OF DEFENSE FOR CARRYING OUT THE DEPARTMENT'S ENVIRONMENTAL RESTORATION PROGRAM (DERP) WITHIN THE OVERALL FRAMEWORK OF THE SARA AND THE COMPREHENSIVE ENVIRONMENTAL RESPONSE, COMPENSATION AND LIABILITY ACT (CERCLA), WHICH SARA AMENDED.

IN FY 1986 THE CONGRESS ALSO PROVIDED THE DEPARTMENT WITH THE AUTHORITY TO TRANSFER FUNDS FROM A CENTRAL ENVIRONMENTAL RESTORATION, DEFENSE (ER,D) APPROPRIATION TO VARIOUS DEFENSE APPROPRIATIONS TO FINANCE REQUIREMENTS OF THE DERP. THIS TRANSFER ACCOUNT IS COMMONLY REFERRED TO AS THE DEFENSE ENVIRONMENTAL RESTORATION ACCOUNT (DERA).

THE DEFENSE ENVIRONMENTAL RESTORATION PROGRAM CONSISTS OF THREE MAJOR SUB-ELEMENTS:

- INSTALLATION RESTORATION PROGRAM (IRP) - TO IDENTIFY, INVESTIGATE, AND CLEANUP CONTAMINATION FROM HAZARDOUS SUBSTANCES AND WASTES ON MILITARY INSTALLATIONS AND FORMERLY OWNED OR USED PROPERTIES. THIS SUB-ELEMENT IS FOCUSED ON CLEANUP OF CONTAMINATION FROM PAST ACTIVITIES. INCLUDED ARE RESEARCH, DEVELOPMENT AND DEMONSTRATION OF INNOVATIVE AND COST EFFECTIVE SITE CLEANUP TECHNOLOGIES.

- OTHER HAZARDOUS WASTE OPERATIONS - TO FUND STUDIES AND PURCHASE EQUIPMENT TO MINIMIZE HAZARDOUS WASTE GENERATION. THIS SUB-ELEMENT ALSO INCLUDES RESEARCH, DEVELOPMENT AND DEMONSTRATION RELATED TO HAZARDOUS WASTE.

- BUILDING DEMOLITION AND DEBRIS REMOVAL - TO DEMOLISH AND REMOVE UNSAFE BUILDINGS, STRUCTURES AND DEBRIS ON ACTIVE INSTALLATIONS AND FORMERLY OWNED OR USED PROPERTIES.

LIKE ALL DEFENSE PROGRAMS, ENVIRONMENTAL RESTORATION IS INCLUDED IN THE DOD PLANNING, PROGRAMMING AND BUDGETING SYSTEM (PPBS). IN THIS PROCESS REQUIREMENTS ARE IDENTIFIED, SUPPORTED AND COMPETED AGAINST OTHER DOD PROGRAMS. THIS OFFICE HAS WORKED HARD TO PRESENT WELL-JUSTIFIED PROJECTS AND TO IMPROVE OUR OVERALL COMPETITIVE POSTURE FOR DEFENSE RESOURCES.

IN FY 1989 THE DEPARTMENT REQUESTED AND CONGRESS APPROPRIATED $500 MILLION FOR ENVIRONMENTAL RESTORATION EFFORTS IN THE CENTRAL ER,D TRANSFER APPROPRIATION. THE DEPARTMENT'S FY 1990 REQUEST OF $517.8 MILLION PROVIDES FOR A LEVEL PROGRAM COMPARED TO FY 1989. THIS DEMONSTRATES THE DEPARTMENT'S CONTINUED COMMITMENT TO CLEANING UP THE ENVIRONMENT IN THE FACE OF DEEP CUTS TO OTHER VITAL DEFENSE PROGRAMS. THIS LEVEL REFLECTS THE SECRETARY'S REVIEW OF THE FULL SPECTRUM OF NATIONAL DEFENSE REQUIREMENTS AND HIS DECISION ON THE PROPER BALANCING OF THOSE REQUIREMENTS. THE DEPARTMENT IS COMMITTED TO THE GOALS OF THE DEFENSE ENVIRONMENTAL RESTORATION PROGRAM AND WILL MEET THE STATUTORY REQUIREMENTS OF LAW. CURRENTLY, THE TOTAL PROGRAM ESTIMATE IS $10-15 BILLION.

THERE IS CONCERN OVER THE ESCALATING COST OF ENVIRONMENTAL COMPLIANCE. IN PARTICULAR, THE IMPACT OF ADDITIONAL RESOURCE NEEDS IN THE FACE OF A DECLINING DEFENSE BUDGET IS BECOMING A CONCERN. SINCE INCEPTION OF OUR IRP, IT HAS BEEN THE DEPARTMENT'S POLICY TO CLEAN UP SITES ON A "WORST FIRST" BASIS NATIONWIDE. TO ENSURE THAT LIMITED FUNDS ARE USED WISELY, WE WILL USE A PRIORITIZATION SYSTEM THAT IS BASED ON RELATIVE RISK TO PUBLIC HEALTH, AND ENVIRONMENT TO ESTABLISH PRIORITY FOR

DEFENSE REMEDIAL ACTION (RA) CLEANUP (THE MOST COSTLY ASPECT OF THE PROGRAM). BECAUSE OF THE SIZE, TECHNOLOGICAL COMPLEXITY, REGULATORY REQUIREMENTS AND COST, WE HAVE ESTIMATED THE ENTIRE PROGRAM WILL REQUIRE 15 TO 20 YEARS TO COMPLETE. BECAUSE OF THE NEED FOR PRIORITIZATION, THE DEPARTMENT HAS DEVELOPED A DEFENSE PRIORITY SYSTEM THAT RELIES HEAVILY ON A STATE OF THE ART COMPUTER MODEL TO EVALUATE THE RELATIVE RISK AT EACH SITE.

THE MODEL IS BASED ON THREE CONSIDERATIONS:

- PATHWAY - POTENTIAL FOR CONTAMINANT TRANSPORT,
- HAZARD - CHARACTERISTIC AND CONCENTRATION OF CONTAMINANT AND
- RECEPTOR - PRESENCE OF POTENTIAL AFFECTED PERSONS OR ECOLOGY

THESE CONSIDERATIONS, COUPLED WITH OTHER FACTORS WILL DETERMINE RESOURCE REQUIREMENTS AND ALLOCATIONS.

DOD HAS COMPLETED DEVELOPMENT AND IN-SERVICE FIELD TESTING OF THE MODEL AND ISSUED A NOTICE FOR PUBLIC REVIEW AND COMMENT IN THE FEDERAL REGISTER ON NOVEMBER 18, 1987 (52FR44204).

THE DOD HAS BRIEFED THE EPA AND STATE ORGANIZATIONS ON THE MODEL AND OTHER EFFORTS HAVE BEEN INITIATED TO KEEP THEM REGULARLY INVOLVED IN OUR PRIORITIZATION PROCESS. THIS PROCESS HAS RESULTED IN A FINAL DEFENSE PRIORITY MODEL THAT WE PLAN TO BEGIN IMPLEMENTING IN FY 1990.

I COUNT ON THE COMMITTEES AND OTHER MEMBERS OF CONGRESS TO SUPPORT THIS APPROACH AND RESIST ONEROUS LEGISLATION WHICH WOULD DETRACT FROM THE DEPARTMENT'S EFFORTS TO GET ON WITH CLEANUPS USING A NATIONWIDE WORST-FIRST STRATEGY. LET'S NOW FOCUS ON THE

ACTUAL ELEMENTS OF THE DERP.

INSTALLATION RESTORATION

THE IRP SUB-ELEMENT IS CENTRALLY MANAGED IN MY OFFICE AND IS CARRIED OUT IN THE FIELD BY THE MILITARY SERVICES AND DEFENSE AGENCIES.

LIKE THE ENVIRONMENTAL PROTECTION AGENCY'S (EPA) SUPERFUND PROGRAM, THE IRP FOLLOWS THE NATIONAL OIL AND HAZARDOUS SUBSTANCES POLLUTION NATIONAL CONTINGENCY PLAN (NCP) (40CFR300). FIGURE 1 (ATTACHMENT 2) DEPICTS THE NCP INVESTIGATION AND REMEDIATION PROCEDURES FOR CLEANING UP HAZARDOUS WASTE SITES. THESE CLEANUP PROCEDURES ARE FOLLOWED WHEN A SITE IS LISTED ON THE NATIONAL PRIORITY LIST (NPL). IF A SITE IS NOT LISTED ON THE NPL, THE DOD CLEANUP PROCEDURES WILL COMPLY WITH STATE LAWS CONCERNING REMOVAL AND REMEDIAL ACTIONS AND GENERALLY FOLLOW THE SAME TYPE OF INVESTIGATIVE AND REMEDIATION PROCEDURES.

IT SHOULD BE EMPHASIZED THAT CERCLA/SARA AND REGULATIONS REQUIRE THAT STUDIES AND CLEANUPS BE CONDUCTED THROUGH A COMPLEX AND LENGTHY PROCESS THAT INCLUDES NUMEROUS TECHNICAL REVIEWS AND ENCOURAGES PUBLIC PARTICIPATION.

AT FORMERLY USED PROPERTIES THE INVESTIGATION AND CLEANUP IS CONDUCTED BY THE U.S. ARMY CORPS OF ENGINEERS (COE) ACTING AS DOD'S EXECUTIVE AGENT. THE PROCEDURES ARE SIMILAR TO THOSE AT CURRENTLY OWNED INSTALLATIONS, EXCEPT MORE COORDINATION IS REQUIRED SINCE DOD IS NOT THE LAND OWNER. DETERMINATIONS MUST BE MADE AS TO THE ORIGIN OF THE CONTAMINATION, LAND TRANSFER, AND CURRENT OWNERSHIP BEFORE A SITE IS CONSIDERED ELIGIBLE FOR RESTORATION BY THE DOD.

THE DEPARTMENT HAS CONTINUED TO SEEK WAYS TO COOPERATE WITH

EPA AND THE STATES WHICH HELPED TO PROMOTE SUBSTANTIAL PROGRESS. TABLE I (ATTACHMENT 2) PROVIDES A CUMULATIVE SUMMARY --A "SNAPSHOT"--OF THE STATUS OF THE IRP ON SEPTEMBER 30, 1988. THESE DATA ARE FOR MILITARY INSTALLATIONS ONLY; FORMERLY OWNED OR USED PROPERTIES ARE IDENTIFIED AND DISCUSSED SEPARATELY AT TABLE II (ATTACHMENT 2).

AS OF SEPTEMBER 30, 1988, THERE WERE 8,139 SITES ON 897 CURRENTLY CONTROLLED INSTALLATIONS WITH THE POTENTIAL FOR CONTAMINATION. DOD HAS ALREADY RESPONDED AT 216 OF THESE SITES AND ANOTHER 4,054 ARE UNDERGOING STUDIES OR ARE IN SOME STAGE OF REMEDIATION. SINCE DOD FOLLOWS THE NCP, THE STATUS OF SITE CLEANUP AT ANY GIVEN TIME CAN BE EXPRESSED IN TERMS OF THE PROCEDURES ILLUSTRATED IN FIGURE I. THE FOLLOWING PROVIDES STATUS IN THAT MANNER:

- PRELIMINARY ASSESSMENT/SITE INSPECTION (PA/SI) INVOLVES THE REVIEW OF AVAILABLE INFORMATION AND ON-SITE INVESTIGATION TO DETERMINE IF FURTHER IMMEDIATE OR LONG-TERM ACTION IS NEEDED. DOD HAS HAD A COMPREHENSIVE PROGRAM IN THIS AREA FOR MANY YEARS AND HAS MADE SIGNIFICANT PROGRESS. DOD HAS COMPLETED ALL REQUIRED PA/SIs AT OUR MAJOR INSTALLATIONS.

- REMEDIAL INVESTIGATION/FEASIBILITY STUDIES (RI/FS) ARE IN-DEPTH STUDIES WHICH DETERMINE THE EXTENT OF CONTAMINATION AND DEVELOP VARIOUS RESPONSE ALTERNATIVES. DOD CURRENTLY HAS 2,788 SITES IN THIS STAGE. THESE INCLUDE THE NPL SITES, AND SITES IDENTIFIED IN THE PA/SI AS HAVING A POTENTIAL THREAT. ADDITIONALLY, DOD IS ADDRESSING APPROXIMATELY 500 SITES PER YEAR AT FORMERLY-USED LANDS WHICH REQUIRE INVESTIGATION AS TO THE DEGREE OF DOD RESPONSIBILITY, IF ANY.

AS REQUIRED BY REGULATION FOR NPL SITES, THE RI/FS IS COMPLETED WITH A RECORD OF DECISION (ROD). AFTER PUBLIC HEARINGS AND RESPONSE TO COMMENTS, THE BEST CLEANUP ALTERNATIVE IS SELECTED. A SIMILAR PROCEDURE IS USED FOR NON-NPL SITES.

REMEDIAL DESIGN/REMEDIAL ACTION (RD/RA) PROVIDES A REMEDY OFFERING THE GREATEST PROTECTION TO HUMAN HEALTH AND THE ENVIRONMENT ON THE BASIS OF PERMANENCE, RELIABILITY, AND COST. DOD CURRENTLY HAS 1,266 SITES WHICH ARE UNDERGOING REMEDIATION (THIS INCLUDES INTERIM ACTIONS AND REMOVALS). THIS NUMBER IS EXPECTED TO INCREASE SIGNIFICANTLY AS RI/FSs ARE COMPLETED. HOWEVER, A QUEUE WILL EXIST AND CLEANUPS WILL BE FUNDED ON A WORST-FIRST BASIS.

THE ANNUAL REPORT (PROVIDED SEPARATELY), WHICH WAS RELEASED IN MARCH, PROVIDES IN-DEPTH INFORMATION ABOUT SPECIFIC PROGRESS AND DETAILS ABOUT THE NUMBERS MENTIONED ABOVE. IT SHOULD BE NOTED THAT NUMBERS MENTIONED HERE AND IN THE ANNUAL REPORT ARE THE MOST CURRENT AND SHOULD BE USED IN PLACE OF THE NUMBERS CONTAINED IN THE BUDGET JUSTIFICATION MATERIAL PREVIOUSLY PROVIDED.

ALTHOUGH WE HAVE SEEN AN INCREASE IN REQUIREMENTS FOR FY 1990/FY 1991 WE EXPECT THE HIGHEST COSTS TO COME DUE IN THE MID TO LATE 1990's AS REFLECTED IN THE PROJECTIONS OF FUTURE IRP NEEDS (ATTACHMENT 2, FIGURE 2). THE ACTUAL FUNDING LEVELS IN WHICH TO APPLY A PRIORITY SYSTEM WILL HAVE TO BE DETERMINED IN TERMS OF THE DECLINING REAL GROWTH IN THE DEFENSE BUDGET.

OTHER HAZARDOUS WASTE OPERATIONS

FROM OUR PAST EXPERIENCE, DOD HAS LEARNED THAT WE MUST TAKE STEPS TO ENSURE THAT WE DO NOT CREATE FUTURE PROBLEMS. THEREFORE, ENVIRONMENTAL RESTORATION FUNDS ARE ALSO USED FOR PROMOTING DOD'S TOTAL QUALITY MANAGEMENT OF HAZARDOUS MATERIAL (TQMHM). THIS APPROACH TO POLLUTION PREVENTION EXPLORES "UP FRONT" WAYS TO ELIMINATE HAZARDOUS WASTE. IT FOCUSES ON THE QUESTION OF WHY WE EVEN HAVE HAZARDOUS MATERIAL. IT IS IMPORTANT TO UNDERSTAND THAT WITH THE HIGH COST OF CLEANUP, IT IS COST EFFECTIVE ON A LIFE-CYCLE-COST BASIS TO ELIMINATE, WHEREVER POSSIBLE, THE USE OF HAZARDOUS MATERIAL.

FOR EXAMPLE, THE NAVY REDUCED THE NUMBER OF DIFFERENT LUBRICANTS USED IN WEAPONS SYSTEM MAINTENANCE FROM 80 TO 26. THE ARMY AND AIR FORCE HAVE JOINTLY DEVELOPED METHODS OF TESTING DEGREASING SOLVENT TO EXTEND ITS USEFUL LIFE FOLLOWED BY THE BEST WAY TO REDISTILL AND RESTORE ITS QUALITY FOR CONTINUED USE. THE DEFENSE LOGISTICS AGENCY IS EXPLORING THE REPLACEMENT OF CADMIUM PLATED PARTS WITH ZINC WHERE POSSIBLE. THE MARINE CORPS HAS BEGUN PURCHASING CHEMICAL AGENT RESISTENT PAINT FOR TANKS IN INERT GAS CHARGED CONTAINERS THAT ARE RETURNED TO THE MANUFACTURER FOR REFILLING WHEN EMPTY. THIS HAS COMPLETELY ELIMINATED WASTE PAINT AND PAINT CANS FROM THIS OPERATION.

THE JOINT DEPOT ENVIRONMENTAL PANEL (JDEP) OF DOD'S JOINT LOGISTICS COMMANDS (JLC) IS SPONSORING A WORKSHOP FOR PRODUCTION PERSONNEL TO EXCHANGE INFORMATION ON REDUCING WASTE IN THE THREE LARGEST CATEGORIES OF GENERATION: PLATING, CLEANING AND STRIPPING (PCS). TECHNOLOGY GAPS WILL BE IDENTIFIED TO THE R&D COMMUNITY TO BEGIN EFFORT ON THE CONTINUOUS REDUCTION OF WASTE (RATHER THAN AN ARBITRARY PERCENTAGE GOAL) AS CALLED FOR BY TQMHM.

AT THE OSD LEVEL WE HAVE BEGUN A STUDY OF MEASURING AND REPORTING TO ACHIEVE BETTER QUANTIFICATION OF PROGRESS. IN ADDITION, DOD DIRECTIVES HAVE BEEN/ARE BEING REVISED TO INCLUDE HAZARDOUS MATERIAL GUIDANCE IN FUNCTIONAL AREAS SUCH AS CONTRACTING, PROCUREMENT, AND ECONOMIC ANALYSIS DOCUMENTS.

WHILE A GREAT DEAL IS HAPPENING WE ARE APPROACHING TQMHM IN A CAUTIOUS, DELIBERATE APPROACH TO INSTILL AN ACTUAL CULTURAL CHANGE THAT WILL BRING LONG-TERM COMMITMENT NOT QUICK, SHORT TERM RESULTS TO SATISFY TRANSIENT NEEDS. IN FY 1988, $19.5 MILLION IN DERP FUNDS WERE PROVIDED WITHIN THIS SUB-ELEMENT FOR WASTE MINIMIZATION PROJECTS AND OTHER ACTIVITIES THAT IMPROVE TOTAL QUALITY MANAGEMENT. IN FY 1989 WE ARE INVESTING $33.6 MILLION TO CONTINUE THE PROGRESS AND THE MILITARY DEPARTMENTS ARE COMMITTING ADDITIONAL RESOURCES ON THEIR OWN.

BUILDING DEMOLITION AND DEBRIS REMOVAL

IN FY 1988 AND 1989 FUNDS HAVE NOT BEEN PROGRAMMED FOR THIS SUB-ELEMENT.

THE DECISION NOT TO PROGRAM FUNDS WAS NOT ON THE BASIS OF REDUCED REQUIREMENTS. RATHER, THIS ACTION IS THE RESULT OF A CONTINUING POLICY ON THE PART OF THE DEPARTMENT TO BALANCE THE INCREASING TOXIC AND HAZARDOUS WASTE REQUIREMENTS AGAINST A DECLINING DEFENSE BUDGET.

THE DEPARTMENT RECOGNIZES THE NEED TO ADDRESS THESE CONCERNS, HOWEVER, WE MUST USE OUR LIMITED RESOURCES ON HAZARDOUS OR TOXIC CONTAMINATION, WHICH IF LEFT UNCHECKED, WOULD HAVE GREATER IMPACT. THE DOD HAS MADE A TOUGH CHOICE IN DEFERRING THESE PROJECTS AND WOULD WELCOME CONGRESSIONAL SUPPORT IN

PREVENTING LEGISLATIVE LANGUAGE THAT SEEKS TO EXPEDITE BUILDING DEMOLITION AND DEBRIS REMOVAL PROJECTS IN CONFLICT WITH THAT POLICY DECISION. SUCH ACTION, PARTICULARLY AT FORMERLY OWNED OR USED PROPERTIES, WOULD WEAKEN THE DEPARTMENT'S ABILITY TO ENTER INTO AGREEMENTS FOR SITE CLEANUPS; AND WILL RESULT IN DEFERRAL OF OTHER PROJECTS WHICH COULD HAVE AN IMMEDIATE IMPACT ON PUBLIC HEALTH AND SAFETY.

IN FY 1990, THE DEPARTMENT INTENDS TO CONTINUE DEFERRING THESE PROJECTS BECAUSE THIS RATIONALE IS EVEN MORE APPLICABLE. ALL OF THE REASONS FOR OUR EARLY DECISIONS ARE EVEN STRONGER TODAY IN THE FACE OF MASSIVE DEFENSE CUTS.

INSTALLATION CLEANUP AGREEMENTS WITH EPA AND THE STATES

THE SUPERFUND STATUTE DIRECTS DOD TO PROVIDE EPA AND THE STATES A MAJOR ROLE IN OUR CLEANUP PROGRAM. IN REGARD TO OUR INSTALLATIONS WITH SITES ON THE NATIONAL PRIORITY LIST (NPL), EPA MUST APPROVE OUR CLEANUP REMEDIES AND STATES MUST BE GIVEN AN OPPORTUNITY TO HAVE A MEANINGFUL ROLE IN THE CLEANUP PROCESS. AT NON-NPL SITES, UNLESS THERE IS OVERLAPPING JURISDICTION WITH RCRA, WE ARE TO FOLLOW APPLICABLE STATE LAW, WHICH IN MOST CASES CLOSELY FOLLOWS THE REQUIREMENTS OF SUPERFUND. HOWEVER, MANY STATES ALSO HAVE MORE STRINGENT REQUIREMENTS. WE HAVE BEEN WORKING HARD IN THE LAST TWO YEARS, TO FASHION WORKABLE AND STANDARD PROCEDURAL ARRANGEMENTS FOR THE INVOLVEMENT OF BOTH EPA AND THE STATES IN OUR CLEANUP PROCESS. THIS SHOULD LEAD TO GREATER PROGRAM EFFICIENCY AND COST SAVINGS BY ESTABLISHING CLEAR EXPECTATIONS AND AVOIDING MISUNDERSTANDINGS.

FEDERAL FACILITY AGREEMENTS UNDER SARA SECTION 120 FOR NPL SITES

CURRENTLY, DOD HAS 29 SITES LISTED ON THE NPL, 23 MORE SITES IDENTIFIED FOR LISTING, AND ULTIMATELY WE EXPECT UP TO 200 SITES

LISTED.

I WOULD LIKE INITIALLY TO FOCUS ON THE CURRENT STATUS OF THE DEPARTMENT'S NPL SITE NEGOTIATIONS OF THREE PARTY, FEDERAL FACILITY AGREEMENTS WITH EPA AND THE STATES FOR CLEANUP OF OUR INSTALLATIONS IN THOSE 52 SITES CURRENTLY LISTED OR PENDING. I WILL GIVE YOU AN OVERVIEW OF THE PROGRESS THAT WE ARE MAKING IN THIS EFFORT, AND I WOULD LIKE TO RELATE SOME GENERAL OBSERVATIONS AND COMPARISONS. COMMONLY, THESE DOCUMENTS ARE REFERRED TO AS IAGs (INTERAGENCY AGREEMENTS).

OUR POLICY TO NEGOTIATE AS SOON AS POSSIBLE INTO THE PROCESS IS LARGELY BASED ON OUR DESIRE TO CONDUCT WORK WITH THE MAXIMUM AMOUNT OF USEFUL INPUT FROM THE PUBLIC, EPA, AND THE STATES. THIS OF COURSE IS BALANCED WITH THE NEED TO CONDUCT TIMELY REMEDIAL ACTIONS. ANOTHER OBJECTIVE OF THESE COMPREHENSIVE AGREEMENTS IS TO ENSURE THAT AT REMEDY SELECTION, ALL PARTIES WILL BE ABLE TO SUPPORT THE REMEDY.

CURRENTLY, WE HAVE SIGNED FIVE, THREE-PARTY AGREEMENTS SINCE THE DEVELOPMENT OF MODEL IAG LANGUAGE WITH EPA. THEY COVER: LETTERKENNY ARMY DEPOT, PENNSYLVANIA; SACRAMENTO ARMY AMMUNITION DEPOT, CALIFORNIA; LOUISIANA ARMY AMMUNITION PLANT, LOUISIANA; SHARPE ARMY DEPOT, CALIFORNIA; AND TINKER AIR FORCE BASE, OKLAHOMA. WE ALSO HAVE THREE ADDITIONAL AGREEMENTS DEVELOPED OUTSIDE OF THE FRAMEWORK OF THE MODEL LANGUAGE. ONE IS AT TWIN CITIES ARMY AMMUNITION PLANT, MINNESOTA (THREE-PARTY) AND THE OTHER TWO ARE ROCKY MOUNTAIN ARSENAL, COLORADO (TWO-PARTY) AND WRIGHT-PATTERSON AIR FORCE BASE, OHIO (TWO-PARTY). IN ADDITION TO THESE SITES, WE HAVE EIGHT SITES WITH NEGOTIATIONS NEAR COMPLETION THAT WE EXPECT SIGNED AGREEMENTS ON WITHIN THE NEXT SEVERAL WEEKS. WE ARE ALSO NEGOTIATING AT MOST OF THE REMAINING SITES ACROSS THE COUNTRY. AS YOU CAN SEE WE ARE MAKING PROGRESS

AT GETTING ALL OF OUR SITES THAT ARE ON THE NPL UNDER IAGS. WE ARE ALSO WORKING DIRECTLY WITH STATES ON NON-NPL SITES AS WELL -- OUR POLICY REMAINS TO ADDRESS THE WORST SITES FIRST. MORE WILL BE SAID ON THIS LATER.

THE IAGs CONSIST OF TWO PARTS. THE FIRST IS SO CALLED "MODEL LANGUAGE" OR "BOILERPLATE" RESOLVING ELEVEN MAJOR ISSUES THAT ARE SUBSTANTIALLY THE SAME FOR ALL SITES. THE SECOND PART CONSISTS OF PROVISIONS RESOLVING A HOST OF SITE-SPECIFIC ISSUES.

WE SUPPORT THE IAG CONCEPT AND ARE PARTICULARLY SATISFIED WITH ALL OF THE WORK THAT WENT INTO NEGOTIATING THE MODEL IAG LANGUAGE WITH EPA.

WE ARE ALSO MOVING FORWARD IN USING THE RECENTLY RELEASED SUGGESTED LANGUAGE FOR INCLUDING STATES INTO THE IAGS THAT WAS DEVELOPED IN CONJUNCTION WITH THE NATIONAL ASSOCIATION OF GOVERNORS, THE NATIONAL ASSOCIATION OF ATTORNEYS GENERAL, AND THE ASSOCIATION OF STATE AND TERRITORIAL SOLID WASTE MANAGEMENT OFFICIALS. WE HAVE INVESTED CONSIDERABLE EFFORT IN NEGOTIATING THE LANGUAGE FOR THESE AGREEMENTS AND ARE FIRMLY COMMITTED TO THE PROCESS. WE HAVE ALSO WORKED AT GETTING OUR STAFF TRAINED IN DEVELOPING AND NEGOTIATING THESE AGREEMENTS AND ARE TRYING TO WORK MORE CLOSELY WITH EPA AND THE STATES. WE ARE HOLDING REGULAR MEETINGS WITH EPA HEADQUARTERS AND INTERNALLY WITH THE MILITARY COMPONENTS TO ENSURE OUR EFFORTS STAY ON TRACK.

HOWEVER, PROGRESS IS NOT AS RAPID AS WE HAD HOPED NOR ARE OUR ACCOMPLISHMENTS AS PROLIFIC AS WE HAD PROJECTED TO CONGRESS IN THE PAST. THE NEGOTIATIONS ARE MORE COMPLEX AND ARE TAKING MUCH LONGER THAN WE ANTICIPATED.

WHEN WE ENTERED INTO THE MODEL IAG AGREEMENT, WE FULLY EXPECTED THAT THIS WOULD RESOLVE MANY OF THE MAJOR STICKING

POINTS IN NEGOTIATIONS AND ALLOW US TO REACH CLOSURE ON ALMOST ALL OF OUR AGREEMENTS WITHIN A VERY SHORT PERIOD OF TIME. EXPERIENCE DURING THE PAST FEW MONTHS INDICATES THAT OUR INITIAL THINKING WAS OVERLY OPTIMISTIC. WE ARE FINDING THAT WHEN WE GET TO THE NEGOTIATING TABLE WE ARE HAVING TO NEGOTIATE DOWN TO SOME OF THE MODEL PROVISIONS RATHER THAN STARTING RIGHT OFF THE BAT WITH THEM AND MOVING FORWARD FROM THERE. SOME OF THE MAJOR STICKING POINTS FOR US HAVE BEEN IN THE AREA OF FUNDING WHERE WE HAVE BEEN ASKED TO COMMIT TO FUNDING FOR OUT YEARS WHEN WE HAVE NOT YET RECEIVED THE APPROPRIATION WHICH WOULD BE IN DIRECT VIOLATION OF THE ANTI-DEFICIENCY ACT. WE ARE ALSO EXPERIENCING DELAYS OVER JURISDICTIONAL ISSUES ESPECIALLY IN THE AREA OF RCRA VS. CERCLA. THE STATES ARE PUSHING FOR MORE CONTROL IN THE DECISION MAKING PROCESS--MORE THAN OUR AND DEPARTMENT OF JUSTICE'S INTERPRETATION OF CERCLA WOULD SUGGEST APPROPRIATE. THE LAW CLEARLY STATES THAT EPA IS IN CONTROL OF NPL SITE CLEANUPS. AT THE HEART OF THE MATTER IS THE RCRA JURISDICTIONAL ISSUE. AS MORE AND MORE STATES RECEIVE CORRECTIVE ACTION AUTHORITY UNDER SECTION 3004 (u) AND (v) OF RCRA, I EXPECT TO SEE EVEN MORE CONFLICT.

RESOLUTION OF THE RCRA/CERCLA OVERLAP PROBLEM WAS ACTUALLY THE GREATEST REASON WE HAD FOR ENTERING EARLY IAGS BEFORE CLEANUP DECISIONS ARE MADE. SARA ACTUALLY REQUIRES IAGs BE SIGNED AFTER THE DECISIONS ARE MADE (POST ROD). WE WANTED TO ESTABLISH WITH EPA AND THE STATE CLEARLY THAT ONE OF THEM, EPA, WAS ULTIMATELY IN CHARGE AND WE OPERATED TO THE MAXIMUM EXTENT POSSIBLE UNDER CERCLA'S CLEANUP PROCESS. THAT PROCESS HAS HISTORICALLY BEEN MORE COST-EFFECTIVE IN BRINGING ABOUT CLEANUPS. WE WANTED TO AVOID THE "SECOND GUESSING" OF CO-CONTROL BUT GIVE THE STATES A SUBSTANTIAL ROLE. WE WANTED TO AVOID PERFORMING DUPLICATIVE EFFORTS IN DOING BOTH RCRA AND CERCLA STUDIES AND PROCEDURES, WHEN ALREADY THE CERCLA PROCESS WAS DESIGNED BY CONGRESS (AND BY EPA RULES) TO HANDLE THE WORST SITUATIONS IN THE COUNTRY. THE HEART OF THE PROBLEMS WE HAVE SEEN AT ROCKY MOUNTAIN ARSENAL (RMA) IS THE RCRA/CERCLA ISSUE. HERE THE STATE HAS TRIED TO EXERT CO-CONTROL OF THE NPL CLEANUP THROUGH RCRA TO GET THE UPPERHAND IN THE CLEANUP PROCESS OVER EPA. THE STATE WANTS TO DIRECT A CLEANUP APPROACH MUCH MORE COSTLY THAN THE ONE EPA BELIEVES IS NEEDED.

WE ALSO SEE LANGUAGE IN SOME OF THE INTERAGENCY AGREEMENTS GIVING THE STATES AND EPA LONGER REVIEW PERIODS -- IN SOME CASES MORE THAN 300 DAYS SET FORTH IN THE MODEL LANGUAGE -- FOR IMPORTANT MILESTONE DOCUMENTS POTENTIALLY CAUSING DELAYS IN CLEANUPS. IN SOME CASES THESE REVIEW TIMES HAVE MORE THAN DOUBLED. CURRENTLY, WE ARE WORKING WITH EPA TO FIND WAYS TO REDUCE THESE TIMES.

WE ARE TAKING THE NECESSARY STEPS TO REIMBURSE THE STATES FOR THE NECESSARY SERVICES THEY PROVIDE IN OUR CLEANUP PROCESS, BUT THE NEGOTIATIONS FOR THAT ARE OFTEN VERY CONTENTIOUS AND QUITE TIME CONSUMING.

IN SUMMARY, ALTHOUGH WE HAVE STARTED THE IAG PROCESS EARLY, WE ARE FINDING THE PROCESS COMPLICATED AND RESOURCE INTENSIVE.

DEFENSE AND STATE MEMORANDUM OF AGREEMENTS (DSMOAs)

WE ARE ALSO WORKING TO PUT DSMOAs IN PLACE THAT WILL PROVIDE THE STATES WITH A MEANINGFUL ROLE THROUGHOUT OUR PROCESS ON NON-NPL SITES IN KEY AREAS. THE DSMOAs RESOLVE CONCERNS OVER: THE REIMBURSEMENT OF STATES FOR THEIR REVIEW AND PROGRAMMATIC PARTICIPATION, DEVELOPMENT AND USE OF A PRIORITY SYSTEM WITH STATE PARTICIPATION, HOW TO RESOLVE TECHNICAL DIFFERENCES ON OUR

CLEANUPS QUICKLY, AND HOW TO HAVE CLEAR CHANNELS OF INSTALLATION-TO-STATE COMMUNICATION. WE THINK THE MODEL DSMOA WE'VE DEVELOPED WITH STATE ASSOCIATIONS AND REPRESENTATIVE STATES HANDLES THESE ISSUES VERY WELL. WE HOPE TO BEGIN ENTERING INTO STATE-SPECIFIC DSMOAs IN THE NEAR FUTURE.

OVERALL, WE BELIEVE THE DSMOA WILL BUILD GOOD WILL, SMOOTH COMMUNICATIONS, LEAVE OUR PROGRAM FOCUSED ON THE WORST SITES FIRST, AND MAKE SURE THAT FIELD DEBATES GET RESOLVED QUICKLY. ALL THIS SHOULD MAKE THE PROGRAM OPERATE FASTER AND ENABLE IT TO BETTER TAKE ADVANTAGE OF STATE PARTICIPATION. ALSO, WE MUST HAVE STATE REGULATORS IN A POSITION TO ASSURE THE LOCAL PUBLIC THAT THEY'VE LOOKED AT WHAT WE'RE DOING AND IT'S REASONABLE.

THIS IS IMPORTANT TO OUR CREDIBILITY AND TO BUILDING TRUST BETWEEN DOD, EPA AND THE STATES, AND TRUST CAN BE BUILT ONLY THROUGH FULL AND OPEN COMMUNICATION. WE'RE GUARDEDLY OPTIMISTIC THAT IF THE TRUST BETWEEN US INCREASES, SOME OF THE JURISDICTIONAL AND CONTROL ISSUES WILL NOT BE THE STUMBLING BLOCKS THAT THEY CURRENTLY ARE IN IAG NEGOTIATIONS. WE WOULD NOW LIKE TO MOVE ON AND REFOCUS OUR EFFORTS FROM COMPLETING AGREEMENTS INTO PRODUCING CLEANUPS.

RCRA COMPLIANCE AND H.R. 1056

WHILE CERCLA/SARA FOCUSES ON THE CLEANUP OF FORMER SITES, RCRA RELATES TO THE CLEANUP ON CURRENTLY OPERATING ONES AND THE "CRADLE TO GRAVE" TRACKING OF HAZARDOUS WASTES. IT IS OUR POLICY TO FUND RCRA DAY-TO-DAY COMPLIANCE AT REGULATED WASTE MANAGEMENT UNITS THROUGH O&M OR MILCON ACCOUNTS BECAUSE WE VIEW THIS AS A "COST OF DOING BUSINESS" FOR CURRENT OPERATIONS VERSUS CLEANUPS RELATED TO FORMER DISPOSAL PRACTICES. THOSE CORRECTIVE ACTIONS UNDER RCRA THAT OCCUR AT SITES NOT RECEIVING WASTE TODAY MUST BE FUNDED SYSTEMATICALLY UNDER OUR PRIORITY SYSTEM. THIS IS TO

ENSURE OUR RESOURCES COVER THE WORST SITES FIRST.

WE ARE TRYING TO AVOID CREATING MORE SITES THAT WE'LL NEED TO CLEANUP IN THE FUTURE BY A TWO-PRONGED EFFORT. FIRST, WE ARE EMPHASIZING TQMEM AS I MENTIONED EARLIER IN THE ENVIRONMENTAL RESTORATION PROGRAM DISCUSSION. SECOND, WE ARE FIRMLY COMMITTED TO FULL COMPLIANCE WITH EPA AND APPLICABLE STATE REQUIREMENTS FOR SOUND MANAGEMENT OF HAZARDOUS WASTE. MOST APPLICABLE STANDARDS ARE BASED ON STATUTORY AUTHORITY OF THE RESOURCE CONSERVATION AND RECOVERY ACT (RCRA).

IN THE HOUSE, THERE HAS BEEN STRONG QUESTIONING OF OUR RCRA COMMITMENT THROUGH THE SIGNIFICANT ADVANCEMENT OF H.R. 1056, A BILL TO REMEDY A PERCEIVED COMPLIANCE PROBLEM. IT WOULD INCREASE STATE AND EPA RCRA ENFORCEMENT POWERS AND MOST IMPORTANTLY ALLOW STATES THE ABILITY TO ASSESS PENALTIES WITHOUT LIMITATION FOR RCRA VIOLATIONS. IT IS OUR EXPECTATION THAT A COMPANION BILL WILL BE INTRODUCED IN THE SENATE VERY SOON. OUR CONCERNS, WHICH ECHO THOSE OF THE ADMINISTRATION AT-LARGE, WERE VOICED AT LENGTH BEFORE THE HOUSE ENERGY AND COMMERCE AND ARMED SERVICES COMMITTEES.

IN BRIEF, WE ARE VERY CONCERNED THAT H.R. 1056 GIVES EPA INCREASED ADMINISTRATIVE ORDER AUTHORITY WHEN THEY ALREADY POSSESS THE ABILITY TO ESTABLISH FEDERAL FACILITY COMPLIANCE AGREEMENTS (FFCA) THAT ARE EFFECTIVE. DOD AND EPA ARE NOW WORKING TOGETHER UNDER SEVERAL FFCAs. MORE IMPORTANTLY, WE ARE ALARMED THAT IT WILL PRODUCE COUNTERPRODUCTIVE EFFECTS BY AUTHORIZING STATES TO LEVY FINES AND PENALTIES AGAINST US. THIS IS ESPECIALLY A CONCERN IN THE CORRECTIVE ACTION AREA WHERE A LACK OF FUNDING WILL LIKELY BE THE PROBLEM AND THAT WILL TAKE US TIME IN THE BUDGETARY PROCESS TO FIX. PENALTIES WILL TEND TO DRAIN O&M FUNDING FROM MUCH NEEDED ENVIRONMENTAL PROGRAMS AND

UPSET OUR WORST-FIRST PRIORITY SYSTEM FOR HANDLING CORRECTIVE ACTIONS AS PART OF DERP.

HOUSE ARMED SERVICES COMMITTEE LEGISLATIVE INITIATIVES

RECOGNIZING THE UNIQUE AND TOUGH ISSUES WE FACE IN IMPLEMENTING DOD'S HAZARDOUS WASTE PROGRAMS, CONGRESSMAN RICHARD RAY AND THE ENVIRONMENTAL RESTORATION PANEL OF THE HASC HAVE DRAFTED AMENDMENTS THAT COULD RESOLVE MANY OF THEM.

LET ME BRIEFLY, LAY OUT OUR VIEW OF THE SEVEN AMENDMENTS WE ADDRESSED AT A HEARING ON THOSE AMENDMENTS. FIRST, THE DEPARTMENT SEES VALUE IN ESTABLISHING UNDER LAW A DERA PRIORITY SETTING PROCESS, ADDRESSING DERA EXPENSES AT NPL SITES, PRECLUDING HOLDING FEDERAL EMPLOYEES PERSONALLY LIABLE FOR CIVIL PENALTIES FOR OFFICIAL ACTIONS AND PROVIDING FOR BETTER REGULATION OF MILITARY WASTEWATER TREATMENT WORKS. ALL THESE INITIATIVES ARE LAUDABLE. WITH SOME IMPORTANT CHANGES, THEY ALL WILL GREATLY MAKE OUR PROGRAM MORE EFFECTIVE. WE APPRECIATE CONGRESSMAN RAY'S EFFORTS IN THESE AREAS.

THE OTHER AMENDMENTS ADDRESS VERY LEGITIMATE CONCERNS, BUT UNFORTUNATELY LEAD TO OTHER RAMIFICATIONS WHICH TROUBLE DOD. FURTHERMORE WE DON'T SEE HOW TO AVOID THE ISSUES THAT ARISE FROM THEM. ON THE INDUSTRIAL FUND AMENDMENT, WE'D PREFER TO WORK OUT ANOTHER WAY TO FULFILL THE HAZARDOUS WASTE MINIMIZATION OBJECTIVE. ON THE CENTRALIZED RCRA COMPLIANCE ACCOUNT, WE HAVE INTERNALLY TAKEN STEPS TO ADDRESS THE ISSUE IT WANTS TO RESOLVE AND HOPE WE CAN SHOW CONGRESS THE RESULTS OVER THE NEXT YEAR. WE HAVE RECOMMENDED THE HASC WORK WITH THE DEPARTMENT OF JUSTICE ON REIMBURSEMENT OF EMPLOYEES INDICTED BUT NOT CONVICTED FOR ENVIRONMENTAL CRIMES.

FROM THE HASC EFFORT ITS VERY CLEAR THAT DOD AND THAT

COMMITTEE SHARE TWO IMPORTANT VIEWS. FIRST, ENVIRONMENTAL ISSUES MUST BE EXPEDITIOUSLY RESOLVED BY THE DEPARTMENT, OR THEY COULD BECOME AN IMPEDIMENT TO OUR WAR FIGHTING CAPABILITY. SECOND, ENVIRONMENT HAS BECOME A BIG TICKET ITEM FROM A RESOURCE (COST AND PEOPLE) AND MISSION STANDPOINT AND DOD MUST LEAD THE WAY IN EFFORTS TO ENSURE WE RUN OUR PROGRAM WELL. THE DEPARTMENT STRONGLY APPRECIATES CONGRESSMAN RAY'S EFFECTIVE AND SUSTAINED LEADERSHIP IN BRINGING ATTENTION TO OUR ENVIRONMENTAL ISSUES.

BASE CLOSURE IMPACT

A SUBSET OF OUR HAZARDOUS WASTE CLEANUP PROGRAM IS THE CLEANUP OF PAST SITES ON INSTALLATIONS TO BE CLOSED UNDER THE BASE CLOSURE LEGISLATION.

THE CLEANUP OF THE CONTAMINATION FROM PAST HAZARDOUS WASTE ACTIVITIES WILL BE ACCOMPLISHED WITHIN THE PRIORITIES OF THE ENVIRONMENTAL RESTORATION PROGRAM, USING FUNDS PROVIDED BY THE CONGRESS FOR THAT PURPOSE, REGARDLESS OF WHETHER CLOSURE OR REALIGNMENT IS INVOLVED. HOWEVER, IT IS OUR POLICY THAT IF BASE CLOSURE LOCATION OR TIMETABLES ARE NOT CONSISTENT WITH WORST-FIRST PRIORITIES OR IF CLEANUPS INVOLVE OTHER ACTIVITIES, THEN OTHER FUNDING SOURCES WILL BE USED. WE ORIGINALLY STATED THIS POLICY IN TESTIMONY TO THE BASE CLOSURE COMMISSION AND HAVE CONSISTENTLY SAID IT AT ALL SUBSEQUENT HEARINGS.

WE HAVE INITIATED VIGOROUS WORK AT ALL OF THE ACTIVITIES LISTED IN THE BASE CLOSURE AND REALIGNMENT REPORT. THE UNCERTAINTY IN DEVELOPING PRECISE FUNDING AND SCHEDULE ESTIMATES IS BECAUSE: THERE REMAIN MANY REMEDIAL INVESTIGATIONS TO COMPLETE, WHICH WILL INDICATE THE NUMBER OF SITES ACTUALLY REQUIRING CLEANUP; IN SOME CASES CLEANUP STANDARDS HAVE NOT BEEN DETERMINED; AND AGREEMENTS FOR REMEDIAL ACTION AT INSTALLATIONS HAVE NOT BEEN REACHED WITH THE REGULATORY AGENCIES.

INVESTIGATORY AND REMEDIAL ACTIONS MUST BE ACCOMPLISHED IN ACCORDANCE WITH APPLICABLE ENVIRONMENTAL LAW AND REGULATIONS WHICH PRESCRIBE PROCEDURES TO BE FOLLOWED. AS DISCUSSED ABOVE, THIS IS A LENGTHY, COMPLEX PROCESS THAT COULD PUSH OUT COMPLETION DEADLINES TO WELL BEYOND SIX YEARS, AND THERE IS NOTHING IN THE LEGISLATION THAT REQUIRES AN ACCELERATED REGULATORY PROCESS.

ANOTHER RELATED SCHEDULING UNCERTAINTY RESULTS FROM COMPLIANCE WITH THE NATIONAL ENVIRONMENTAL POLICY ACT (NEPA) AS REQUIRED BY THE BASE CLOSURE AND REALIGNMENT ACT, SECTION 204. EACH SERVICE HAS INITIATED THE REQUIRED NEPA ACTION. WE INTEND TO COMPLY WITH NEPA AND SARA CONCURRENTLY TO MINIMIZE DELAYS.

ENVIRONMENTAL RESTORATION COSTS RELATED TO BASE CLOSURE

BECAUSE CLEANUP ACTIONS CANNOT BE PRECISELY DEFINED IN ADVANCE, SCHEDULES AND COSTS ARE DIFFICULT TO ESTIMATE AT OUR CURRENT STAGE OF THE PROCESS. BASED ON INVESTIGATIONS UNDERWAY, WE THINK ENVIRONMENTAL PROTECTION COSTS WILL BE AT LEAST $500 MILLION. OF THAT ESTIMATED TOTAL, APPROXIMATELY $150 MILLION IS FOR ACTIVITIES NOT INCLUDED IN THE ENVIRONMENTAL RESTORATION PROGRAM, SUCH AS COMPLIANCE WITH NEPA, RCRA, AND THE TOXIC SUBSTANCES CONTROL ACT. AS WE COMPLETE THE INVESTIGATORY PROCESS, THAT IS, MORE ACCURATELY DEFINE SITES NEEDING REMEDIAL ACTION, AND WORK WITH THE REGULATORY AGENCIES TO DETERMINE APPROPRIATE REMEDIAL ACTIONS, WE WILL BE ABLE TO REFINE OUR COST ESTIMATE. THE TRUE IMPACT OF RESTORATION ACTIVITIES CANNOT BE DETERMINED UNTIL REMEDY SELECTION IS COMPLETE AND AGREEMENT REACHED WITH THE REGULATORY AGENCIES.

PROPERTY TRANSFER RELATED TO BASE CLOSURE

UNDER CURRENT LAW THE DEPARTMENT OF DEFENSE REMAINS LIABLE

FOR THE CONSEQUENCES OF HAZARDOUS OR TOXIC CONTAMINANTS AT ITS PROPERTIES EVEN THOUGH ALL KNOWN OR REASONABLY FORESEEABLE CONTAMINATION HAS BEEN REMOVED. IT MAKES NO DIFFERENCE THAT INJURY OCCURS BECAUSE A SUBSTANCE ONCE THOUGHT TO BE INNOCUOUS TURNS OUT TO BE HAZARDOUS. NOR DOES IT MATTER THAT PEOPLE BECOME EXPOSED BECAUSE LAND-USE RESTRICTIONS ARE ACCIDENTALLY OR DELIBERATELY IGNORED. EVEN IF THE NEW OWNER OF THE PROPERTY AGREES TO ASSUME RISK, DOD IS STILL ON THE HOOK IF THE OWNER DISAPPEARS, GOES BANKRUPT, OR OTHERWISE RENEGES ON WHAT SEEMS TO BE A BINDING CONTRACT. THERE IS NO WAY THAT THE FEDERAL GOVERNMENT CAN COMPLETELY PROTECT ITSELF AGAINST LIABILITY AND POSSIBLE FUTURE CLAIMS. THIS IS A MATTER OF SERIOUS CONCERN TO US. THE RISKS RESULTING FROM LOSS OF CONTROL WILL BE TAKEN INTO ACCOUNT IN SELECTIONS OF REMEDIAL ACTIONS.

ANOTHER CONSIDERATION IS THAT ACCELERATED CLEANUPS TO MEET BASE CLOSURE TARGETS FOR PROPERTY DISPOSAL MAY BE TECHNICALLY INFEASIBLE. CERTAIN REMEDIES, SUCH AS GROUND WATER PUMP AND TREATMENT, USUALLY TAKE AT LEAST TEN YEARS TO COMPLETE. HOWEVER, IT IS IMPORTANT TO REALIZE THAT THE ULTIMATE CLEAN-UP REMEDIES ASSOCIATED WITH DISPOSAL OF PROPERTY EXCESS TO DOD NEEDS DO NOT HAVE TO BE FUNDED OR COMPLETED PRIOR TO CESSATION OF DOD OPERATIONS. LIKEWISE, AN ENTIRE FACILITY DOES NOT HAVE TO BE DISPOSED OF AT THE SAME TIME; CLEAN PORTIONS MAY BE DISPOSED OF INDEPENDENT OF CONTAMINATION CLEAN-UP. IN SHORT, WE CAN "CLOSE" THESE BASES AND BENEFIT FROM THE OPERATIONAL SAVINGS BEFORE FUNDING AND COMPLETING ALL ENVIRONMENTAL REQUIREMENTS ASSOCIATED WITH DISPOSAL OF THE PROPERTY. HOWEVER, ALL REQUIRED ENVIRONMENTAL RESTORATION WORK WILL BE COMPLETED PRIOR TO DISPOSAL OF THE PROPERTY.

CONCLUSION

THE DOD HAS MADE CONSIDERABLE COMMITMENT TO ENVIRONMENTAL

CONCERNS, BOTH IN DOLLARS AND MANPOWER. WE ARE PROUD OF THE PROGRESS WE HAVE MADE IN CLEANING UP HAZARDOUS WASTE SITES AND ADDRESSING OTHER ENVIRONMENTAL ISSUES WITHIN THESE AUSTERE BUDGET TIMES. HOWEVER, THE COST OF ENVIRONMENTAL COMPLIANCE IN ALL MEDIA--AIR, WATER. HAZARDOUS WASTE, ETC. IS INCREASING AS BUDGETS ARE DECREASING. THEREFORE, REQUIREMENTS MUST BE DEALT WITH IN A MORE EVENHANDED AND REALISTIC APPROACH THAN IN THE PAST. THE COST OF COMPLIANCE AND APPROPRIATE TIME TABLES TO IMPLEMENT PROGRAMS MUST BE CONSIDERED WHEN CONGRESS PASSES ENVIRONMENTAL LAWS. IF THIS IS NOT DONE, DOD WILL BE PUT IN A POSITION OF BEING IN NON COMPLIANCE. HISTORICALLY, THIS HAS RESULTED IN INCREASED PUBLIC PRESSURE TO "BEAT UP" THE DEPARTMENT. IN THE FUTURE, IT COULD FORCE DOD AND THE CONGRESS INTO A POSITION OF ALLOCATING SIGNIFICANTLY HIGHER DOLLAR AMOUNTS THAT COULD REDUCE OUR WAR FIGHTING CAPABILITIES.

OUR ANNUAL COST OF COMPLIANCE IS WELL OVER $1.0 BILLION WHEN YOU CONSIDER FUNDING INCLUDED IN THE DERA, AND SERVICES O&M AND MILCON PROGRAMS. AS YOU ARE AWARE THERE ARE ALSO ENVIRONMENTAL CONSIDERATIONS IN OTHER ASPECTS OF DEFENSE PROGRAMS SUCH AS WEAPON SYSTEM DEVELOPMENT, MOBILIZATION, AND ARMS REDUCTION. TO DATE THE COST OF COMPLIANCE HAS COME AT THE EXPENSE OF OTHER VITAL DEFENSE PROGRAMS. THE MOST VISIBLE EXAMPLE IS THE DEBATE GOING ON OVER THE IMPLEMENTATION OF BASE CLOSURE INITIATIVES. COMPLIANCE WITH ENVIRONMENTAL PROTECTION LAWS HAS BECOME THE FOCUS. THE CLEAN AIR, CLEAN WATER, RESOURCES CONSERVATION AND RECOVERY, NATIONAL HISTORICAL PRESERVATION, ENDANGERED SPECIES, SAFE DRINKING WATER, AND SUPERFUND AMENDMENTS REAUTHORIZATION ACTS TO NAME A FEW HAVE BEEN WITH US AND THE COST HAS BEEN HIDDEN. THESE REQUIREMENTS HAVE AND WILL CONTINUE TO GROW.

CURRENTLY, WE ARE WORKING TO IMPROVE MANAGEMENT INFORMATION SYSTEMS TO BOTH BETTER IDENTIFY THESE COSTS AND TIE THEM TO THE

BUDGET PROCESS TO FUND THE MOST NEEDED PROJECTS ON A PRIORITY BASIS. IT MUST BE RECOGNIZED THAT WE HAVE MANY PROJECTS TO FUND ACROSS ALL ENVIRONMENTAL MEDIA, NOT JUST HAZARDOUS WASTE CLEANUPS. LAWS ARE BECOMING MORE STRINGENT AND THE PUBLIC IS ANXIOUS TO HAVE THESE PROBLEMS ADDRESSED.

BUT WE MUST DO THIS WHILE CARRYING OUT OUR NATIONAL DEFENSE MISSION AND IN ACCORDANCE WITH CONGRESSIONAL DIRECTION. WE WILL CONTINUE TO IMPROVE OUR COMPLIANCE RECORD AND WILL STRIVE TO BE THE FEDERAL FACILITIES ENVIRONMENTAL LEADER IN THE REGULATED COMMUNITY.

GLOSSARY

SWDA	- Solid Waste Disposal Act. Requires Permits.
RCRA	- Same as SWDA. 1976 Amendment to the SWDA. The Resource Conservation and Recovery Act.
DERA	- Defense Environmental Restoration Account, approximately $400 million. Used to cleanup "old" sites.
CERCLA	- Superfund Act, for cleanup of old sites. No permits.
TSDF	- Treatment, Storage or Disposal Facility.
PERMIT	- Under RCRA. Part A is interim. Part B is actual permit.
CORRECTIVE ACTION	- Term of art for cleanup under RCRA.
REMEDIAL ACTION	- Term of art for cleanup under Superfund.
DOD AUTHORITY	- Yes for Superfund. No for RCRA.
STATES AUTHORITY	- No for Superfund. Yes for RCRA (limited).
EPA AUTHORITY	- Both.

FUNDING ENVIRONMENTAL REQUIREMENTS

- REQUIREMENTS CUT ACROSS ALL APPROPRIATIONS
- MAJOR COMPLIANCE FUND SOURCES
  - MILITARY CONSTRUCTION
  - OPERATIONS & MAINTENANCE (REAL PROPERTY MAINTENANCE ACCOUNT)
  - DERA

• CURRENT ANNUAL INVESTMENTS —	OVER $1 BILLION
— DERA	$500M
— MILCON	$100M
— O&M FACILITY PROJECTS	$110M
— R&D	$ 30M
— NATURAL RESOURCES	$ 35M
— ENVIRONMENTAL PERSONNEL SALARIES	$200M
— HAZARDOUS WASTE DISPOSAL	$100M

- INSTALLATION COMMANDERS NEED FLEXIBILITY OF O&M FUNDING
  - ENVIRONMENTAL PORTION NEEDS MORE VISIBILITY

ATTACHMENT 1

DEFENSE ENVIRONMENTAL

DEPARTMENT OF DEFENSE
UNITED STATES OF AMERICA

RESTORATION PROGRAM

DEFENSE ENVIRONMENTAL RESTORATION PROGRAM

The Defense Environmental Restoration Program (DERP), established by the Congress in 1984, provides increased emphasis and visibility for an expanded and accelerated effort for cleanup actions at toxic and hazardous waste sites on DoD installations and provides for cleanup of properties formerly-used by the DoD. There are 8,139 sites on active installations within the program. The Installation Restoration program (IRP), an integral part of the Environmental Restoration program, identifies contamination and provides appropriate studies and remedial actions at these potential sites. Additionally, there are approximately 7,200 identified potential hazardous toxic waste sites on properties formerly owned or used by the DoD which require investigation as to the degree of DoD responsibility, if any. This includes possible requirements for the removal of unsafe and hazardous buildings, structures and debris. The Building Demolition/Debris Removal (BD/DR) sub-element of the Environmental Restoration Program addresses the cleanup of these sites.

Other Hazardous Waste Operations (OHW) is also included under the restoration program. This involves initiatives related to the reduction of DoD hazardous waste generated and disposed; research, development and demonstration with respect to hazardous wastes, and site cleanups including safer and more cost-effective methods of unexploded ordnance detection and disposal; and clearance of active and former ranges. This activity represents a small percentage of the total restoration effort.

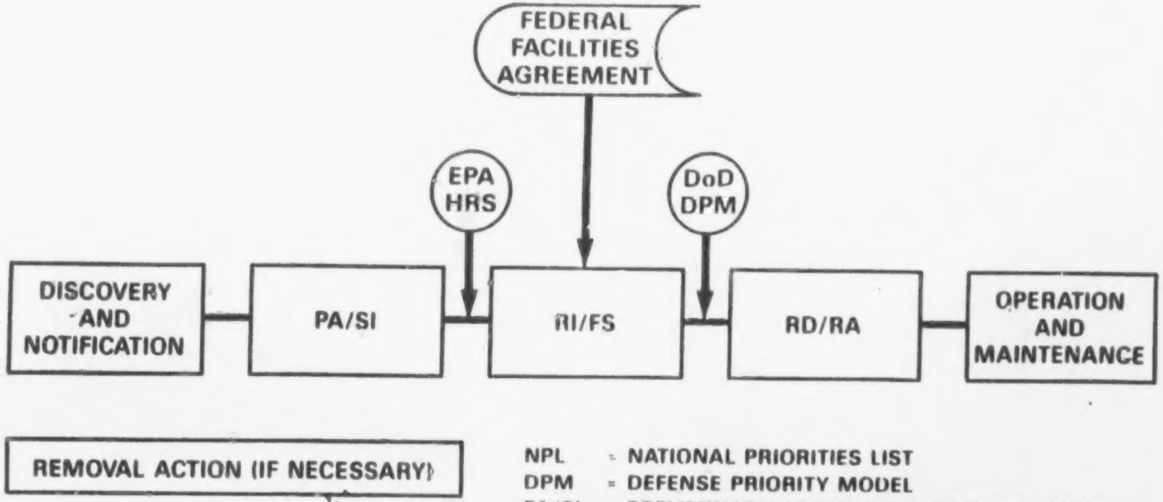
The Superfund Amendments and Reauthorization Act of 1986 (SARA) provides continuing authority for the Secretary of Defense to carry out the Environmental Restoration Program in consultation with the Administrator of the Environmental Protection Agency. Executive Order 12580 on Superfund Implementation, signed by President Reagan on January 23, 1987, delegates authority and responsibilities to the Secretary of Defense for carrying out the program within the overall framework of the SARA and Comprehensive Environmental Response Compensation and Liability Act (CERCLA).

The DERP is centrally managed in the Office of the Secretary of Defense and is carried out by the Military Services and Defense Agencies. For FY 1989 the Congress appropriated $500 million for environmental restoration efforts in the central Environmental Restoration, Defense transfer account. The FY 1990 request of $517.8 million provides for continued program execution in accordance with the provisions of the National Contingency Plan. The total cost of DoD installation restoration work is estimated at $11-14 billion.

FIGURE 1

DEFENSE ENVIRONMENTAL RESTORATION PROGRAM

NPL SITE CLEANUP PROCEDURE

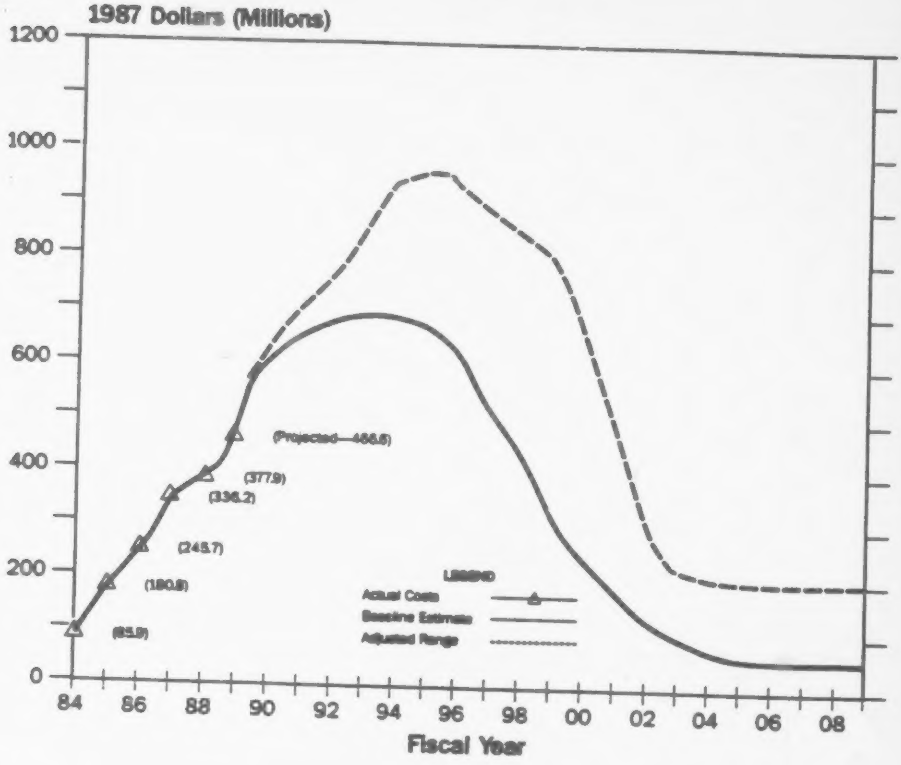

FEDERAL FACILITIES AGREEMENT
EPA HRS
DoD DPM
DISCOVERY AND NOTIFICATION
PA/SI
RI/FS
RD/RA
OPERATION AND MAINTENANCE
REMOVAL ACTION (IF NECESSARY)

NPL = NATIONAL PRIORITIES LIST
DPM = DEFENSE PRIORITY MODEL
PA/SI = PRELIMINARY ASSESSMENT/SITE INSPECTION
RI/FS = REMEDIAL INVESTIGATION/FEASIBILITY STUDY
RD/RA = REMEDIAL DESIGN/REMEDIAL ACTION

9 2297

FIGURE II

INSTALLATION RESTORATION PROGRAM COSTS



NOTE: These figures do not include costs of Other Hazardous Waste, or Building Demolition/Debris Removal activities or Rocky Mountain Arsenal, CO cleanup.

TABLE I

INSTALLATION RESTORATION PROGRAM STATUS
SUMMARY BY DoD COMPONENT
(SEPTEMBER 30, 1988)

	TOTAL NUMBER OF:		NUMBER OF SITES[1]							
			PA/SI		RI/FS			RD/RA		
DoD COMPONENT	INSTALLATIONS	SITES	C	U	C	U	F	C[2]	U	F
ARMY	401	3208	3054	7	300	205	68	132[3]	281	57
NAVY	224	1481	1344	113	233	963	36	10	94	463
AIR FORCE	249	3380	3251	100	943	1604	56	73	883	472
DEFENSE LOG. AGENCY	23	70	62	1	9	16	2	1	8	12
GRAND TOTAL	**897**	**8139**	**7711**	**221**	**1485**	**2788**	**162**	**216**	**1266**	**1004**

C = CUMULATIVE TOTAL SITES COMPLETED
U = NUMBER OF SITES UNDERWAY
F = NUMBER OF SITES SCHEDULED FOR FUTURE STUDY/ACTION

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[1] SITE STATUS IS BASED ON FUNDING AND INITIATION DATES. ACTUAL PROJECT EXECUTION MAY VARY.

[2] RD/RAs COMPLETED TO DATE CONSIST PRIMARILY OF REMOVALS AND INTERIM ACTIONS WHICH ARE PART OF A LARGER, MULTI-YEAR RESPONSE ACTION. THEY RANGE IN COMPLEXITY FROM SMALL SURFACE CLEANUPS TO MAJOR SOIL AND GROUNDWATER TREATMENT SYSTEMS.

[3] NUMEROUS INTERIM ACTIONS AT ROCKY MOUNTAIN ARSENAL, CO ARE COUNTED AS ONE RD/RA.

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TABLE II

STATUS OF FORMERLY USED PROPERTIES
SEPTEMBER 30, 1988

PROPERTIES IDENTIFIED (CUMULATIVE TOTAL)	7,118
INVENTORY INVESTIGATIONS (CUMULATIVE TOTAL)	2,815
UNDERWAY	1,966
COMPLETED	849
PROJECTS COMPLETED OR ONGOING (TOTAL)	168
BUILDING DEMOLITION/DEBRIS REMOVAL	94
HAZ/TOX AND UXO* REMOVALS	74

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*UNEXPLODED ORDNANCE REMOVALS AT THREE LOCATIONS – TIERRASANTA, CA; BURMA RD., KODIAK, AK; TIDEWATER COMMUNITY COLLEGE, VA.

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ODASD(E)
1 March 1988

HAZARDOUS WASTE CLEANUP

GLOSSARY

AA	Assistant Administrator, US EPA [The AA reports directly to the Administrator of the EPA (see R).]
ACL	Alternate Concentration Limit: see MCL
AM	Action Memorandum [A memorandum that initially proposes and supports the decision to initiate activities at a site.]
ANPRM	Advanced Notice of Proposed Rulemaking [Request for public input prior to a proposed rulemaking. For example, the notice will highlight regulations to revise the current hazard ranking system (HRS).]
AO	Administrative Order (unilateral) [An order issued by EPA to begin response activities at a site. This is issued to responsible parties by the EPA.]
AO	Office of the Administrator, EPA
AOC	Administrative Order on Consent [An administrative order to begin response activities that have been agreed upon by the responsible party(ies) and the EPA.]
ARAR	Applicable or Relevant and Appropriate Requirement (ARARs) [Other regulations that can be applied to the cleanup standards]
ATSDR	Agency for Toxic Substances and Disease Registry (HHS)

CA	Cooperative Agreement [An agreement between the EPA and a federal agency or a State or Territory that describes activities to be performed by both parties that details the funding details to support those activities. Generally these are developed on a site-specific basis.]
CAA	Clean Air Act
CEPP	Chemical Emergency Preparedness Program [A program outlined to increase community awareness and to stimulate the development of emergency plans for dealing with chemical accidents.]
CD	Consent Decree [A document, filed with the court, that describes the activities agreed to by the responsible party to investigate and/or remedy the site.]
CERCLA	SUPERFUND: Comprehensive Environmental Response, Compensation and Liability Act (of 1980), as amended; 42 U.S.C. SS9601 et seq, (see also SARA). [Establishes the Superfund program and Trust Fund.]
CERCLIS	Comprehensive Environmental Response, Cleanup & Liability Information Service [A complete record of all site discoveries, preliminary assessments, site investigations and hazard rankings. This list shows site names, location, activity and completion date (year preceeding month); lead agency if different from PA appears in parenthesis.]
CFR	Code of Federal Regulations
CLP	Contract Laboratory Program
CMA	Chemical Manufactureres Association
COE	U.S. Army Corps of Engineers (part of DOD) [Provides Superfund technical assistance including design and construction activities.]

CWA	Clean Water Act
DERP	Defense Environmental Restoration Program [The DoD SUPERFUND program]
EA	Endangerment Assessment [A study of the threat or potential threat to public health and the environment posed by a hazardous waste site. The EA is generally used to initiate and/or support enforcement actions.]
EPA	Environmental Protection Agency [Given the lead responsibility for implementation and oversight of programs under CERCLA by Executive Order.]
ERCS	Emergency Response Contractor Services [Contractor support to EPA for actual engineering work at emergency (removal) actions.]
ERNS	Emergency Response Notification System
EROD	Enforcement Record of Decision [A ROD prepared by OWPE.]
ERRIS	Emergency and Remedial Response Information System [An automated information system that summarizes basic descriptions of all sites identified as being potentially hazardous. The NPL is a subset of this system.]
ERT	Environmental Response Team [A Branch of the Hazardous Response Support Division of OERR located in Edison, N.J. The Team provides technical assistance for Superfund activities.]
FIT	Field Investigation Team [Contractor support to EPA that performs preliminary assessment, site inspection and hazard ranking activities.]

FS	Feasibility Study [The study that evaluates cleanup options based on the data obtained in the site study phase in order to determine the cost-effective, option for cleaning up the hazardous waste site.]
FWPCA	Federal water Pollution Control Act (SWDA/RCRA)
HHS	Department of Health and Human Services [Responsible for providing public health assistance to Superfund sites and at other releases of hazardous materials. Section 104(i) of CERCLA establishes the Agency for Toxic Substances and Disease Registry under HHS to effectuate and implement the health related authorities of CERCLA.]
HMTA	Hazardous Materials Transportation Act, 49 U.S.C. SS1801 *et seq*.
HRS	**Hazard Ranking System** [A method of quantitatively evaluating the relative threat or potential threat posed by hazardous waste sites. A description is given as an appendix to the NCP.]
HSWA	**Hazardous and Solid Waste Amendments of RCRA** [That portion of RCRA which contains the CORRECTIVE ACTION requirements]
IRM	Initial Remedial Measures [Remedial measures that are straight forward, relatively simple and require little or no engineering design, and are needed as a component of all considered remedial actions. These measures are generally used to stabilize the site or to remove immediate hazards.]
LUST	Leaking Underground Storage Tanks ["LUST program"; Part of RCRA, and regulates underground storage tanks.]
MCL	Maximum Contaminant Levels [A criterion - as a groundwater cleanup standard at Superfund Sites.]

MCLG	Maximum Contaminant Level Goal
NCP	National Contingency Plan (National Oil and Hazardous Substances Pollution Contingency Plan) [40 CFR 300, the conprehensive regulations and guidelines for cleaning up hazardous waste sites and spills of hazardous and toxic materials. This document defines the authorities of agencies and their representatives.]
NPL	National Priorities List, SUPERFUND [A national list of the most dangerous hazardous waste sites that have undergone Preliminary Assessment and Site Inspection activities and which are assigned a Hazard Ranking score of greater than 28.5. These sites are eligible for use of the Superfund "FUND" monies for cleanup.]
NPDES	National Pollutant Discharge Elimination System
NRC	National Response Center [24 hour Telephone Service: (800)-424-8802 and (202) 426-2675]
NRDC	Natural Resources Defense Council
NRT	National Response Team [Comprises representatives from EPA (chairperson), DOT (USCG provides Vice-chairperson) , DOC, DOD, DOE, OOI, DOJ, DOL, DOS, FEMA, HHS, and USDA.]
OERR	The SUPERFUND OFFICE AT EPA: Office of Emergency and Remedial Response (part of EPA) [The Office under OSWER with responsibilities for implementing remedial and removal activities under CERCLA (Superfund).]
OSC	On-Scene Coordinator [The person in charge of site-specific emergency (removal) response activities. These people are generally Regional EPA or Coast Guard personnel.]
OSW	Office of Solid Waste

	[The Office in EPA which manages the RCRA program.]
OSWER	Office of Solid Waste and Emergency Response (part of EPA)
	[The Office of the Asst. Administrator within EPA that manages both SUPERFUND and RCRA.]
OWPE	Office of Waste Programs Enforcement in EPA
	[The ENFORCEMENT Office under OSWER in EPA for RCRA and CERCLA.]
PA	Preliminary Assessment
	[A study that obtains the data necessary to determine the Hazard Ranking score.]
PCB	PCBs; Polychlorinated Biphenyls (TSCA/CERCLA)
POTW	Publicly Owned Treatment Works
PRP	Potentially Responsible Party
	[Private individuals or corporations that are, or have been owners, operators, transporters, or generators of hazardous substances found at a Superfund site.]
QA/QC	Quality Assurance/Quality Control
	[Custody procedures in accordance with the "EPA NEIC Policies and Procedures Manual" dated May, 1978, revised November, 1984 (330/9-78-001-R.)]
RA	Remedial Action
	[Actual implementation of technologies or other activities required to remedy threats or potential threats from hazardous waste sites.]
RA	Regional Administrator
	[Administrator of each of EPA's ten regions.]
RMP	Remedial Action Master Plan (not currently being prepared)
	[A planning document that summarizes current conditions at the site, evaluates existing data, identifies required activities and projects schedules and budgets for completing Remedial Investigation, Feasibility Study,

	and any Initial Remedial Measures. These activities are now being included as the initial activities of the Remedial Investigation.]
RAP	Remedial Accomplishments Plan (later, part of SCAP) [A planning document that forecasts quarterly expenditures for Remedial Activities.]
RCRA	Resource Conservation and Recovery Act; of 1976 as amended, 42 U.S.C. SS6901 et seq. [See SWDA; Solid Waste Disposal Act]
RD	Remedial Design [The engineering design of technologies needed to remedy threats or potential threats from a hazardous waste site.]
REAP	Regional Enforcement Accomplishments Plan (later, part of SCAP) [A planning document that forecasts quarterly expenditures for Enforcement Activities.]
REM	Remedial Engineering Manager, or Remedial Action Contractor [Companies contracted to EPA are CDM/ICF, and Roy Weston.]
RI	Remedial Investigation [A field study that determines the extent of the contamination and provides technical data in order to assess the threat to public health and the environment, and to evaluate alternative remedial actions.]
RI/FS	Remedial Investigation/Feasibility Study [The common term used to describe both the field study (RI) and the cleanup options study or feasibility study (FS).]
ROD	Record of Decision [The decision document, signed by the Assistant Administrator of OSWER, that formally identifies the cost-effective cleanup option, (or response action) required to remedy release of hazardous substances.]

RPM	EPA Regional Remedial Project Manager
RQ	Reportable Quantity
RRT	Regional Response Team [Regional representatives of the Agencies of the NRT. Activities are described more fully in the NCP.]
RSPO	Regional Site Project Officer [The person in charge of site-specific remedial response activities. These people are generally Regional EPA personnel.]
SARA	**Superfund Amendments and Reauthorization Act; of 1986 , 42 U.S.C. SS9601.** [This act reauthorized SUPERFUND and created the DoD site cleanup program known as the DERP, Defense Environmental Restoration Program.]
SCAP	Superfund Comprehensive Accomplishments Plan [Manual which consolidates the regional reporting duties of the Office of Emergency & Remedial response (OERR) and the Office of Waste Programs Enforcement (OWPE). The plan also outlines priority activities under SARA and highlights programmatic considerations that should be used as a guide]
SI	Site Inspection [An initial survey of an identified site. Usually no more than a short site visit to determine whether emergency conditions exist and assign its priority for a PA.]
SWDA	Solid Waste Disposal Act; 42 U.S.C. SS 6901. [The RCRA predecessor.]
TAT	Technical Assistance Team [Contractor support team for assistance and oversight during emergency responce activities.]
TSDF	Treatment, Storage, and Disposal Facilities ("TSDFs") [A definition under RCRA for facilities used to store, treat, or dispose of hazardous wastes.]

STATEMENT OF
NANCY S. STEHLE
DEPUTY DIRECTOR, ENVIRONMENT
OFFICE OF THE ASSISTANT SECRETARY OF THE NAVY
(SHIPBUILDING AND LOGISTICS)

Good Afternoon, Mr. Chairman and Members of the Subcommittee. It is a pleasure to be here today to provide information to the Subcommitte on the Department of the Navy's Environmental Restoration Program.

The Department has four sites listed on the National Priority List and nine proposed sites. We are nearing completion of the Federal Facility Agreements (FFAs) at all of our NPL sites, and have begun or will begin negotiations of FFAs before the end of the year at all of our proposed NPL sites. In no case, however, are FFA negotiations negatively impacting the clean-up process at the sites. We have Technical Review Committees (TRC) composed of representatives from the Environmental Protection Agency, the State environmental agency and local groups at all NPL and proposed NPL sites and the remedial investigation is progressing well at all sites.

Since 1980, the Navy has done a preliminary assessment under the Defense Environmental Restoration Program at over 200 installations. Based on these studies, over 900 individual sites, many of which are quite small, are being investigated for potential hazardous waste contamination and subsequent cleanups. The Navy's program is rapidly moving forward in these investigations, and we are working with the community through TRCs. Lack of funds is becoming a problem which will worsen as we move from the investigation phase to the cleanup phase. This could become a significant problem as lower priority work gets postponed and we cannot meet the expectations of the communities involved.

The Navy has an active hazardous waste minimization program with a goal to reduce hazardous waste (HW) generation by 50% (by weight) in five years, by 1992. The program consists of five elements: implementing a hazardous material (HM) control program to minimize and control HM acquisition and use; determining basic Navy processes and procedures that generate HW; determining hazardous waste minimization measures, procedures and equipment now in use by the Navy or industry; initiating research and development for process improvement and material substitution, if warranted; and implementing hazardous waste minimization techniques.

In 1987, the Navy identified the top 10 categories of hazardous waste generated by Navy activities. These constitute 88% of the waste, by weight. We then looked at the processes that contributed these wastes to determine what could be changed to reduce or eliminate the waste using available off-the-shelf technologies. We then identified those technologies which, with modification, could be used, and where research and development was needed. Areas where we are actively imlementing available technologies are: plastic media blasting for paint removal to reduce the use of chemical strippers; hard chrome plating and closed loop plating systems to reduce or eliminate chrome rinse waters; and solvent recovery through distillation to reduce solvent disposal.

As an example, the Naval Aviation Depot Alameda, CA, has installed a new electrostatic process for painting aircraft which improves productivity and reduces air pollution. The P-3 aircraft is now painted in 6 to 7 shifts rather than 16 to 20 shifts, improving turnaround time by 200%. The process uses electricity to cause the paint to adhere to the aircraft surface and prevent overspray. Less paint is used and it dries faster with less airborne residue. Not only is the process cost effective, but it has also solved air pollution problems and helps meet California clean air standards.

Because many Navy hazardous waste sites are on or near bodies of water, we have concentrated considerable research effort on identifying aquatic hazardous waste site problems, assessing technology requirements and developing remedial pilot projects at these sites. Pilot projects currently being implemented include verification and evaluation of biological degradation of hydrocarbons (jet fuel) in a marsh area at Naval Air Station, Patuxent River, MD; a wildlife toxicity assessment from hazardous waste sites at NAS Whidbey Island, WA, which is a proposed NPL site; and a joint EPA-Navy environmental risk assessment study of harbor sediments and bivalve tissue from Allen Harbor at the Naval Construction Battalion Center Davisville, RI.

Of the military facilities that the Department of the Navy has which are recommended for closure, only two: Naval Station Puget Sound, WA and Salton Sea, CA Test Range, require environmental remediation. Remedial investigation/feasibility study and remediation of the site at the Naval Station Puget Sound are estimated to cost $550 thousand and can be completed by FY 95. At the Salton Sea Test Range, the remedial investigation/feasibility study and remedial action are expected to cost $4 million with an additional $5 million for building demolition. The remedial investigation/feasibility study continues at the Naval Shipyard Hunters Point, CA, which the Navy will retain, even though the USS Missouri will not be homeported there.

The Department is fully committed to strict compliance with all applicable environmental requirements. To correct and prevent problems between State and EPA regulators, and Navy installations, we forwarded a letter on December 21, 1988 to all state governors and all EPA Regional Administrators, emphasizing the Navy's commitment to compliance and requesting that they send a copy of any notice of violation or noncompliance to the cognizant Navy regional engineering office. The letter further requested that if after 90 days the NOV or NON was not resolved, they notify the environmental office within the Office of the Chief of Naval Operations or the Commandant of the Marine Corps, whichever was appropriate. In addition, I encouraged them to contact me personally if they had any questions.

To ensure that our installations understand the importance of environmental compliance, the Secretary of the Navy issued a message to all naval shore installations on March 8, 1989. This message reiterated our commitment to full compliance with applicable environmental requirements, and notified the installations of the previously mentioned letters to the states and EPA regions.

The Navy is committed to elimination of conditions which could lead to violations of environmental laws. One lesson we have learned is that we must have continuing command attention and active involvement of management to avoid violations and to correct quickly those which are identified by inspections - whether EPA, the state or our own Navy personnel.

To promote awareness and involvement at the activity as well as command level, the Navy is instituting a new three-tiered audit program, to replace the informal multi-media environmental audits that we have done since 1975. The first tier involves self-monitoring on an annual basis by the activity. This has already been instituted by many of our installations. The second tier will be environmental compliance evaluations by Echelon II Commands every other year. The third tier was the inclusion of environmental items in the Navy Inspector General audits beginning in the fall of 1988. This three-tiered audit program was formally established in May 1989.

We have also instituted a three-day environmental law course for our installation lawyers - both civilian and military, to familiarize them with the most current requirements of environmental laws and regulations. This course, which includes speakers from Department of Justice, EPA and Congressional staff, was first given in December 1988, and will be offered again in June and October 1989. Our ultimate goal is to provide environmental law training, either through formal courses or course material, to all installation legal counsel.

In summary, I do not believe that stronger enforcement measures are needed to improve compliance at Navy installations. I do believe that EPA and the states need to work closely with the Department of the Navy as we have invited them to do in our correspondence with them to alert the Navy to potential compliance problems.

STATEMENT OF
HUGH M. MCALEAR, P.E.
ASSISTANT FOR ENVIRONMENT
OFFICE OF THE ASSISTANT SECRETARY OF THE ARMY
(INSTALLATIONS AND LOGISTICS)

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

I AM PLEASED TO APPEAR BEFORE YOU TODAY TO DISCUSS THE ARMY'S POLICIES AND PROGRAMS IN THE AREA OF ENVIRONMENTAL RESTORATION.

INSTALLATION RESTORATION PROGRAM

THE ARMY INITIATED ITS INSTALLATION RESTORATION PROGRAM IN 1975 TO DOCUMENT OUR SUSPICIONS THAT WASTE DISPOSAL PRACTICES WERE LEADING TO SERIOUS ENVIRONMENTAL CONSEQUENCES. THIS PROGRAM EVENTUALLY TRANSITIONED INTO THE DEFENSE ENVIRONMENTAL RESTORATION PROGRAM IN 1984. THE LEVEL OF EFFORT HAS INCREASED EACH YEAR BEGINNING IN FISCAL YEAR 1985. FOR FISCAL YEAR 1988, THE ARMY SPENT $154 MILLION OF DEFENSE ENVIRONMENTAL RESTORATION ACCOUNT (DERA) FUNDS TO INVESTIGATE AND REMEDIATE ACTIVE ARMY SITES. AN ADDITIONAL $28.5 MILLION OF DERA FUNDS WAS SPENT FOR FORMERLY USED DEFENSE SITES (FUDS), WHICH ARMY MANAGES AS EXECUTIVE AGENT FOR DEPARTMENT OF DEFENSE (DOD). IN FISCAL YEAR 1989, THE ARMY WILL SPEND OVER $200 MILLION FOR ACTIVE SITES AND CLOSE TO $40 MILLION FOR FUDS. THESE AMOUNTS WILL SHOW MODEST INCREASES IN FISCAL YEAR 1990 UNDER CURRENT BUDGET PROJECTIONS.

PRIORITY FOR FUNDS GOES TO THOSE INSTALLATIONS ON THE NATIONAL PRIORITIES LIST (NPL), ESTABLISHED BY THE UNITED STATES ENVIRONMENTAL PROTECTION AGENCY (EPA). THE ARMY CURRENTLY HAS 18 FACILITIES ON THE NPL WITH AN ADDITIONAL THREE FACILITIES ON THE PROPOSED NPL. WE HAVE BEEN ADVISED BY EPA THAT WE CAN SHORTLY EXPECT TO SEE SEVERAL ADDITIONS TO THE ARMY LIST.

INTERAGENCY AGREEMENTS

IT IS BOTH DOD AND ARMY POLICY TO NEGOTIATE INTERAGENCY AGREEMENTS (CALLED FEDERAL FACILITIES AGREEMENTS) WITH THE EPA AND THE STATE FOR EACH OF OUR INSTALLATIONS ON THE NPL. THUS FAR, THE ARMY HAS SIGNED THREE-PARTY AGREEMENTS AT TWIN CITIES ARMY AMMUNITION PLANT, SACRAMENTO ARMY DEPOT, SHARPE ARMY DEPOT, LETTERKENNY ARMY DEPOT, LOUISIANA ARMY AMMUNITION PLANT, AND JOLIET ARMY AMMUNITION PLANT. A TWO-PARTY AGREEMENT HAS BEEN SIGNED AT ROCKY MOUNTAIN ARSENAL WITH EPA (STATE OF COLORADO WOULD NOT SIGN). AGREEMENTS AT MILAN ARMY AMMUNITION PLANT AND WEST VIRGINIA ORDNANCE WORKS ARE ALMOST COMPLETE. NEGOTIATIONS ARE UNDERWAY AT SEVERAL OTHER INSTALLATIONS, AND THE ARMY HOPES TO COMPLETE ALL AGREEMENTS AT THOSE INSTALLATIONS PRESENTLY ON THE NPL IN CALENDAR YEAR 1989.

HAZARDOUS WASTE MINIMIZATION INITIATIVES

HAZARDOUS WASTE MINIMIZATION (HAZMIN) IS A KEY ELEMENT IN THE ARMY'S OVERALL ENVIRONMENTAL MANAGEMENT STRATEGY. THE ARMY ANNUALLY GENERATES OVER 102,000 METRIC TONS OF

HAZARDOUS WASTE. IN FISCAL YEAR 1988, THE ARMY PAID $21.7 MILLION THROUGH THE DEFENSE REUTILIZATION AND MARKETING SERVICE FOR CONTRACT DISPOSAL OF HAZARDOUS WASTES GENERATED BY ARMY INSTALLATIONS. THIS COST IS EXPECTED TO INCREASE TO $32 MILLION IN FISCAL YEAR 1989.

FUNDS FOR WASTE REDUCTION ARE PRIMARILY PROVIDED BY THE INSTALLATION'S OPERATIONS AND MAINTENANCE (O&M) ACCOUNT. HOWEVER, DERA FUNDS ARE AUTHORIZED AS "SEED MONEY" TO FOSTER RAPID PROCUREMENT OF WASTE REDUCTION EQUIPMENT OR TO CONDUCT STUDIES AND RESEARCH. IN EACH OF FISCAL YEARS 1989 AND 1990. DOD AUTHORIZED THE ARMY TO SPEND $8.0 MILLION FOR HAZMIN PURPOSES.

THE ARMY'S HAZMIN GOAL IS TO REDUCE ITS HAZARDOUS WASTE GENERATIONS BY 50 PERCENT BY DECEMBER 31, 1992, COMPARED TO A BASELINE OF 1985. EMPHASIS IS ON SOURCE REDUCTION. MAJOR INITIATIVES UNDERWAY TO ASSIST THE ARMY IN MEETING THIS GOAL INCLUDE THE FOLLOWING:

- INITIATIVES OF A HAZARDOUS WASTE MINIMIZATION INTERVENTION STUDY. THE PURPOSE OF THIS $1.1 MILLION STUDY IS TO INJECT HAZMIN CONSIDERATIONS INTO NEW WEAPON SYSTEM AND SYSTEM SUPPORT LIFE-CYCLE ACQUISITION PROCESSES.

- DEVELOPMENT OF A CENTRALLY MANAGED HAZARDOUS WASTE DATA MANAGEMENT SYSTEM. THIS SYSTEM WILL PROVIDE ARMY HEADQUARTERS, THE ARMY MAJOR COMMANDS, AND THE INSTALLATIONS THE ABILITY TO PREPARE AND ANALYZE DETAILED HAZARDOUS WASTE GENERATION AND WASTE MINIMIZATION DATA.

- PILOT TESTING OF A HAZARDOUS MATERIALS TRACKING SYSTEM. THIS AUTOMATED SYSTEM IS DESIGNED TO IDENTIFY HAZARDOUS MATERIALS AS THEY ENTER AN INSTALLATION AND MONITOR THEIR LOCATIONS UNTIL ISSUED TO THE USER. THIS SYSTEM WILL ALLOW INSTALLATIONS TO BETTER MANAGE INVENTORIES, MONITOR SHELF LIVES AND IDENTIFY USERS OF HAZARDOUS MATERIALS. IT WILL ALSO IDENTIFY OPPORTUNITIES FOR PRODUCT SUBSTITUTION AND FURTHER RESEARCH AND DEVELOPMENT.

- DEVELOPMENT OF A HAZARDOUS WASTE TRACKING SYSTEM. THIS SYSTEM WOULD ALLOW INSTALLATIONS TO TRACK HAZARDOUS WASTES FROM POINT OF GENERATION TO FINAL DISPOSITION. THIS "CRADLE TO GRAVE" TRACKING SYSTEM IS BASED ON BAR CODE TECHNOLOGY.

- INITIATION OF A WASTE REDUCTION INCENTIVE AWARDS PROGRAM. THIS PROGRAM WOULD PROVIDE A MONETARY INCENTIVE TO INSTALLATIONS TO REDUCE GENERATION OF HAZARDOUS WASTE REQUIRING DISPOSAL.

- DECENTRALIZATION OF THE HAZARDOUS WASTE DISPOSAL ACCOUNT. THIS WILL PUT THE RESPONSIBILITY OF BUDGETING AND PAYING FOR HAZARDOUS WASTE DISPOSAL ON THOSE ELEMENTS THAT GENERATE HAZARDOUS WASTE. THIS DECENTRALIZATION WILL BEGIN OCTOBER 1, 1989.

ENVIRONMENTAL RESTORATION RESEARCH, DEVELOPMENT AND DEMONSTRATION PROGRAM

ENVIRONMENTAL RESTORATION RESEARCH, DEVELOPMENT AND

DEMONSTRATION PROGRAMS ARE MANAGED BY THE U. S. ARMY TOXIC AND HAZARDOUS MATERIALS AGENCY. ENVIRONMENTAL RESTORATION TECHNOLOGY DEVELOPMENT INITIATIVES FALL INTO FOUR AREAS:

- ANALYTICAL METHODS DEVELOPMENT. THE OBJECTIVE HERE IS TO ADAPT/DEVELOP ANALYTICAL METHODS, STANDARD ANALYTICAL REFERENCE MATERIALS AND QUALITY ASSURANCE/QUALITY CONTROL PROCEDURES IN SUPPORT OF ENVIRONMENTAL TECHNOLOGY DEVELOPMENT AND THE ARMY ENVIRONMENTAL RESTORATION PROGRAM.

- CONTAMINATED SOIL/SEDIMENT TREATMENT. THE OBJECTIVE HERE IS TO DEVELOP TECHNICAL AND COST EFFECTIVE CAPABILITIES TO DECONTAMINATE SOILS OR SEDIMENTS CONTAMINATED AS A RESULT OF PAST WASTE DISPOSAL PRACTICES. SPECIFIC THRUSTS INCLUDE IN-SITE BIODEGRADATION TECHNOLOGY, COMPOSTING OF EXPLOSIVE-CONTAMINATED SOILS/SEDIMENTS, TREATMENT OF HEAVY METALS IN SOIL/SEDIMENTS AND AQUEOUS THERMAL DEGRADATION.

- CONTAMINATED WATER TREATMENT. THE OBJECTIVE HERE IS TO DEVELOP TREATMENT SYSTEMS CAPABLE OF DECONTAMINATING POLLUTED SURFACE WATER AND GROUNDWATER. MAJOR THRUSTS INCLUDE PHYSICAL TREATMENT OF EXPLOSIVE-CONTAMINATED WATERS AND IN-SITE GROUNDWATER TREATMENT.

- STRUCTURAL DECONTAMINATION TECHNOLOGY. THE OBJECTIVE HERE IS TO DEVELOP NON-DESTRUCTIVE TREATMENT TECHNOLOGIES FOR BUILDINGS AND FACILITIES (TO INCLUDE UNDERGROUND PIPING) CONTAMINATED WITH EXPLOSIVES AND CHEMICAL AGENTS. MAJOR THRUSTS INCLUDE HOT GAS TECHNOLOGY

AND DETERMINATION OF FATE FOR BOTH EXPLOSIVES AND CHEMICAL AGENTS IN CONTACT WITH MASONRY MATERIALS.

BASE CLOSURE AND REALIGNMENT ISSUES

ENVIRONMENTAL ACTIVITIES FOR THOSE ARMY INSTALLATIONS RECOMMENDED FOR CLOSURE OR REALIGNMENT INCLUDE THE PREPARATION OF NATIONAL ENVIRONMENTAL POLICY ACT (NEPA) DOCUMENTATION AND THE REMEDIATION OF CONTAMINATION PRIOR TO EXCESSING THE PROPERTIES. SCOPING MEETINGS ARE PRESENTLY BEING CONDUCTED FOR THOSE INSTALLATIONS WHERE ENVIRONMENTAL IMPACT STATEMENTS (EIS) ARE REQUIRED. SEVENTEEN EIS's WILL BE PREPARED. MANY OF THESE WILL BE PACKAGED TO INCORPORATE IMPACTS OF BOTH THE LOSING ENTITY (CLOSING INSTALLATION) AND THE GAINING ENTITY. AN ADDITIONAL 30 ENVIRONMENTAL ASSESSMENTS WILL BE PREPARED AT INSTALLATIONS WHERE IT IS THOUGHT SIGNIFICANT IMPACTS WILL NOT OCCUR BECAUSE OF THE REALIGNMENT PROGRAMMED.

ENVIRONMENTAL RESTORATION OF CONTAMINATED SITES WILL BE HANDLED IN A MANNER SIMILAR TO THE EXISTING ENVIRONMENTAL RESTORATION PROGRAM. HOWEVER, THE FUNDING FOR MOST OF THE RESTORATION WILL HAVE TO COME FROM A SOURCE OTHER THAN DERA. PER DOD POLICY, DERA WILL ONLY BE USED TO CLEANUP BASE CLOSURE SITES IF THE PRIORITIES WERE SUCH THAT DERA WOULD BE USED TO CLEAN UP THAT SITE ANYWAY. IF THE SITE TO BE CLOSED IS ON THE NPL, DERA FUNDING WILL BE USED FOR CLEANUP. OTHERWISE CLEANUP WILL HAVE TO BE ACCOMPLISHED WITH OTHER FUNDING. THIS IS CONSISTENT WITH DOD'S "WORST-FIRST" POLICY FOR USE OF DERA FUNDS.

THE TOTAL COST FOR CLEANUP OF SITES TO BE CLOSED IS NOT KNOWN YET. THE ARMY WILL HAVE TO GO BACK TO THOSE SITES SLATED FOR CLOSURE AND CONDUCT AN ENHANCED PRELIMINARY ASSESSMENT TO LOOK AT CLEANUP REQUIREMENTS THAT GO BEYOND THE STRICT INSTALLATION RESTORATION ACTIVITIES (E.G., REMOVAL OF ASBESTOS, REMOVAL OF UNDERGROUND STORAGE TANKS, REMOVAL OF PCB TRANSFORMERS). IT WILL TAKE 18-24 MONTHS BEFORE THESE STUDIES ARE COMPLETE. IT IS ESTIMATED THAT LESS THAN TEN PERCENT OF THE CLEANUP WILL FALL WITHIN DERA PRIORITIES FOR FUNDING.

FINAL RESTORATION COSTS WILL BE DETERMINED BY THE REMEDY SELECTED AND AGREEMENT BY THE REGULATORY AGENCIES. THE ULTIMATE LAND USE FOR THE EXCESSED PROPERTY WILL BE A MAJOR FACTOR IN DETERMINING FINAL CLEANUP COSTS.

THE ARMY IS CONCERNED OVER THE CONTINUING LIABILITY ATTACHED WITH EXCESSED PROPERTY UNDER THE PROVISIONS OF THE SUPERFUND AMENDMENTS AND REAUTHORIZATION ACT. EVEN THOUGH CLEANED UP, ANY FUTURE CONTAMINATION DISCOVERED AS A RESULT OF IMPROVED DETECTION LIMITS OR TORT LIABILITY CLAIMS ASSOCIATED WITH THE CONTAMINATION LEAVES THE FEDERAL GOVERNMENT VULNERABLE. SOME SITES MAY BE TOO EXPENSIVE TO CLEAN UP FOR UNRESTRICTED USE AND THEREFORE WILL NOT RECOMMENDED FOR EXCESSING TO THE GENERAL PUBLIC.

SUMMARY

IN SUMMARY, THE ARMY IS COMMITTED TO RESTORING OUR INSTALLATIONS TO ENVIRONMENTALLY ACCEPTABLE CONDITIONS. I WILL BE HAPPY TO ADDRESS QUESTIONS FROM THE SUBCOMMITTEE.

Statement of
Colonel Stephen Termaath, USAF, BSC, P.E.
Office of the Deputy Assistant Secretary of the Air Force
(Environment, Safety and Occupational Health)

INTRODUCTION

Mr. Chairman and Members of the Committee:

I am pleased to submit to you a short statement on the status of Air Force programs to maintain compliance with environmental requirements.

DEFENSE ENVIRONMENTAL RESTORATION PROGRAM

The Air Force's Defense Environmental Restoration Program (DERP) focuses on two of the three sub-elements -- the Installation Restoration Program (IRP) and Other Hazardous Waste Operations (OHWO). The third sub-element of Building Demolition and Debris Removal (BD/DR) is not currently funded under the Air Force's DERP with the exception of our work in Alaska which is concurrent and inseparable from the larger waste removal effort at the remote sites.

For FY 1989, DoD has provided the Air Force $172.8 million, up from $148.4 million in FY 1988, for environmental restoration efforts from the Defense Environmental Restoration Account (DERA) appropriation. Currently, our efforts are addressing potential contamination at over 2,700 sites at 267 properties currently on Air Force Real Property Records (from large installations to small support facilities) in an attempt to insure that we identify any potential hazardous waste site. Based on what we know at this stage in our investigation of those sites it is estimated that approximately 60 percent of them will need some form of cleanup. Through the end of FY 1988, the Air Force had conducted cleanups at 53 of our properties. The number of properties where remedial actions will take place will rise sharply over the next five years. This will occur as studies underway to determine the extent of contamination are completed and the recommended actions of those studies are selected and implemented.

Additionally, the Air Force is currently involved at 71 EPA Superfund sites, where the Air Force contributed wastes directly or through contractors servicing our installations. Ascertaining the amount of waste attributable to the Air Force for which we are responsible is no small effort on the part of the EPA and the Air Force. The potential cost of this facet of the Air Force DERP is difficult to estimate at this time, but it will be sizeable.

Of immediate concern to us is the escalating cost of environmental cleanup. The costs associated with the requirements of the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) and the Superfund Amendments and Reauthorization Act of 1986 (SARA) is increasing faster than the funding level. During the last three years the Air Force's environmental restoration funding levels were adequate to support our study efforts, where the bulk of our funding was spent, in addition to remedial actions. However, that trend is ending. We anticipate that in FY 1990 that the majority of our dollars will once again go to remedial actions as they did in the first years of the program. The difference is that the cleanups will cost a great deal more than the early ones because of the increased complexity and the requirements under the new laws and regulations. We are posturing ourselves for "worst-first" application of the limited funding we expect.

There has been much talk about the impact upon the restoration program as a result of the Base Closure initiative. I would like to briefly touch upon the relationship between the two.

The law requires that cleanup of contamination from past hazardous waste activities be accomplished regardless of whether closure is involved. However, if base closure cleanup activities are not eligible for Environmental Restoration funds, then funds contained in the Defense Base Closure appropriation could be used.

FEDERAL FACILITY AGREEMENT STATUS

Like the Environmental Protection Agency's Superfund program, our Installation Restoration Program (IRP) follows the National Oil and Hazardous Substances Pollution Contingency Plan (NCP, 40 CFR 300). NCP procedures are followed when a site is listed on the NPL. If a site is not listed on the National Priorities List (NPL), Air Force procedures will comply with applicable state laws concerning removal and remedial actions and follow the same type of investigative and remediation procedures as those in the NCP.

Our policy to negotiate as soon as possible after a site is proposed for the NPL is based upon our desire to conduct work with the maximum amount of input from the public, EPA and the States. This of course is balanced with the need to conduct timely remedial actions. The other objective of these comprehensive agreements is to ensure that at remedy selection, all parties will be able to support the same remedy.

Currently, the Air Force has fourteen (14) bases on the National Priority List (NPL). We have signed one three-party agreement for Tinker Air Force Base, Oklahoma and one for Robins AFB, Georgia. Due to the cooperation of EPA Region IX and the State of California, we are now ready to sign agreements for Castle AFB, Mather AFB, McClellan AFB, and Norton AFB in California. Also, the agreement for Dover AFB, Delaware is nearing signature. The negotiations at the remaining seven bases are progressing slowly.

We are also working directly with the States on non-NPL sites as well -- our policy remains to address the worst sites first.

ENVIRONMENTAL RESTORATION RESEARCH AND DEMONSTRATION EFFORTS

The Air Force Engineering and Services Center (AFESC) at Tyndall AFB, Florida is the primary execution agent of Air Force research and demonstration efforts. Some of their ongoing and recently completed efforts are described below.

AFESC is working to determine the full scale efficiency of radio frequency energy to heat contaminated soil in situ and thermally distill the volatized organic pollutants which result. A pilot test of radio frequency technology has proven to be very effective in removing organic contaminants from the soil. A full scale study will optimize the radio frequency system to improve vapor recovery, reduce heating time and energy costs. Current cost estimates of this technology are less than one half the cost of soil incineration. This effort conducted by the Illinois Institute of Technology sponsored by AFESC is being closely coordinated with the EPA as well as Army and Navy researchers.

A 27-month-long Air Force effort on how to restore a site contaminated with Herbicide Orange has been recently completed at the Naval Construction Battalion Center (NCBC), Gulfport, Mississippi. The contractor working at Gulfport, incinerated more than 26,000 tons of contaminated soil since full-scale incineration efforts began November 1987. It was the first EPA-approved test of a transportable, rotary kiln incinerator to rid soil of dioxin, a residue in herbicide orange. The 18-acre NCBC site was contaminated when it was a storage and shipment site for the Air Force herbicide. AFESC applied for EPA approval and after public hearings and on-site tests the EPA cleared the project for full-scale incineration starting in November of 1987. As each batch of soil was incinerated, it was stored in covered bins until laboratory tests proved it free of contaminants. Strict safety precautions were taken to protect personnel.

Another research effort is developing crossflow air stripping as a cost-effective treatment technology for cleanup of groundwater contaminated with volatile organic compounds (VOCs). The most common technologies for extracting VOCs from groundwater are activated carbon adsorption and counter-current air stripping. While both of these technologies are effective in removing VOCs, they are expensive to operate. This effort involves changing the air flow path of a conventional counter-current packed air stripping tower. This will allow the crossflow tower to operate at much higher air to water ratios than counter-current towers which will increase the efficiency of removing contaminants. Operating costs may be reduced by as much as 50%. This project is being performed with Louisiana State University.

AFESC is developing inexpensive sensor systems and supporting instrumentation for groundwater monitoring in cooperation with EPA. This effort will also demonstrate the feasibility of using remote fiber spectroscopy and fiber optic chemical sensors. Currently, assessing groundwater contamination requires installing monitoring wells, taking samples, and accomplishing chemical analysis which requires complex and expensive laboratory equipment. This study uses fiber optics to sense any changes in the spectra being monitored which could allow for automated continuous monitoring and a historical record of analysis. Also, this monitoring technology offers significant cost savings because of smaller, more easily installed monitoring points. Work is being performed with the EPA, North Dakota State University, and the University of Alabama.

Preliminary results from another AFESC/EPA effort identified a catalytic system capable of destroying TCF vapors at a much lower temperature than incineration currently uses; therefore, AFESC is studying the technique of controlling exhausted chlorinated organics (e.g. TCE) from air stripping operations using catalytic oxidation. Removal of chlorinated organics from groundwater using air strippers is an efficient and cost effective cleanup technique; however, the discharged organics in the exhausted air is a pollutant. Currently, activated carbon absorption or incineration are used to remove the contaminants, but have limitations. Activated carbon absorption produces secondary waste while incineration requires a substantial energy requirement and operating cost. This study will determine the effect of water vapor, temperature catalyst, and mixture on destruction efficiency, selectivity, and catalyst life. The results should be a more efficient and less expensive operation of this effort in cooperation with EPA.

Besides the efforts at AFESC, the Air Force uses our Armstrong Aerospace Medical Research Laboratory at Wright-Patterson AFB, Ohio for investigation into toxicological effects of hazardous chemicals and the Air Force Office of Scientific Research (AFOSR) at Bolling AFB, D.C. for basic research into hazardous waste solutions. The work at AAMRL is done in cooperation with the EPA and the research for AFOSR is done by academic institutions.

We are investing in the R&D for long term benefits to the Installation Restoration Program. These benefits include potential cost savings and help with the difficult task of finding an environmentally acceptable cleanup method.

OTHER HAZARDOUS WASTE OPERATIONS

Environmental restoration, O&M, hazardous waste disposal, and industrial funds are used for promoting the Air Force's hazardous waste minimization efforts. The Air Force hazardous waste minimization program is structured in light of challenges we will face over the next decade and into the 21st century. As is evidenced in the defense budget for the upcoming year we must hold down expenditures and conserve funds wherever possible. Our program involves all activities and all levels of command from the Chief of Staff of the Air Force to the individual shop and warehouse manager. The program involves reorganization of our special projects offices to create a technical capability for identification and avoidance of procuring hazardous material. It also involves modification of processes or substitution of materials, recycling and reduction of the quantity of waste requiring disposal. Our investment on these initiatives should reduce costs associated with hazardous materials and wastes in the long term.

Like private industrial activities, the Air Force has reduced the volume of hazardous material requiring disposal by recycling manufacturing residuals to offset material costs. Such items as used petroleum products, off-specification or outdated paints, and excess solvents have been made available to other government agencies or sold to the public through the Defense Logistics Agency's recycling program.

Within the Air Force, the Air Force Systems Command (AFSC) acquires new weapon systems while the Air Force Logistics Command (AFLC) performs major repairs and maintenance on those systems. Together they generate over 80 percent of Air Force hazardous waste. AFLC operations are similar to private industrial activities. In 1985, AFLC formalized a hazardous waste minimization program called PACER REDUCE. Concurrent with the AFLC effort, AFSC initiated a comprehensive analysis of minimization opportunities at its research, development, test and evaluation facilities.

USAF supported over $62 million in minimization efforts from fiscal year 1984 to 1988. These efforts included a broad range of activities such as research and development, installation-specific waste reduction studies, personnel awareness training and procurement of minimization hardware at many of our facilities. Most research and development has been conducted by the Air Force Engineering and Services Center. Since most USAF wastes are generated by AFLC, much of the R&D effort has been conducted in complete cooperation with the Air logistics centers (our main industrial installations). Projects have included development of laser paint stripping processes, biodegradable solvents and degreasers, and chromium recovery processes.

The Air Force is also addressing hazardous waste materials substitution and minimization by reviewing systems and procedures in the acquisition process. In October 1986, Air Force Scientific Advisory Board (SAB) Study recommended that the Air Force focus on the selection and ultimate reduction of hazardous materials and their toxicity in the weapons system acquisition process. It was also recommended that health and environmental engineering personnel be added to systems acquisition staffs to ensure appropriate consideration is given to hazardous material control and substitution. These recommendations are now being implemented by the Air Force Systems Command.

An Air Force-wide goal, beginning in FY 88, is to reduce hazardous waste disposal by 10 percent per year in each of the next five years. The baseline volume is the hazardous wastes generated during calendar year 1986. Commands were given the option of using an earlier baseline if a 10 percent reduction in earlier years could be demonstrated.

Air Force efforts to reduce hazardous wastes are effective, timely and far reaching. AFLC, for example, developed an innovative method for stripping paints from aircraft using plastic beads rather than chemicals. Private industry, notably Delta Aircraft, was quick to adopt the technology; and within DoD it is now being used in numerous non-aircraft applications by both the Navy and Army. AFLC is now conducting a second generation of review of this process and is exploring the use of bicarbonate of soda blast medium to further reduce waste generation. Also solvent re-distillation operation at Warner Robins ALC has resulted in cost avoidance averaging $0.5 million per year by carefully managing and reusing a critical calibration fluid as well as other industrial solvents for the entire complex.

REGULATORY COMPLIANCE INITIATIVES

Environmental management oversight is provided at each level of the Air Force by an Environmental Protection Committee. In August 1987, the level of the chairman was elevated to strengthen the committee's oversight. At HQ USAF, the Chairman is the DCS for Logistics and Engineering (Lt Gen); at Major Commands, the Chairman is the Vice Commander, typically a general officer; and at installation level the chairman is normally the Vice Commander. These changes insure that senior mangers at each level are involved in, and have oversight of, Air Forces environmental issues.

In June 1988, the Air Force implemented its Environmental Compliance Assessment and Management Program (ECAMP). The environmental protection committees at the Air Staff, Major Command and at the installations are responsible for implementing and managing the program. ECAMP is designed to enhance Air Force compliance with federal, state, and local regulations; assure commanders their environmental programs are effective; improve Air Force environmental compliance management; provide data for identifying , programming, and budgeting; and provide timely, accurate, and complete information. ECAMP is a self-evaluation program for enhancing, maintaining, and monitoring Air Force Compliance with environmental laws and regulations through the use of environmental compliance evaluations and management action plans at Air Force installations. A compliance evaluation is a review of facility's, operations, practices, and records to assess and verify compliance with applicable federal, state, local, DoD and Air Force rules and regulations.

The Air Force has set a goal of evaluating all installations by 31 January 1990. Participation in ECAMP is required for 101 major and 106 minor Air Force installations within the United States. ECAMP makes use of external and internal compliance evaluations. External evaluations are required at a minimum every three years and are conducted by personnel not directly associated with the installation to be evaluated. At major installations, internal evaluations are required annually. Internal evaluations are normally self-inspections made be installation personnel.

RESOURCE MANAGEMENT INITIATIVES

Over the past year significant improvements have been made in the way the Air Force identifies, budgets, accounts, coordinates, and manages environmental compliance funding requirements. In addition to ECAMP, the Air Force created a separate "Program Decision Package" (PDP) in the Air Force budget for environmental compliance. Prior to FY 1990, environmental compliance requirements were included in the Air Force's real property maintenance budget where environmental costs were not visible. Major Commands will use the resource requirements generated from their ECAMP evaluations and planning processes to help build command environmental compliance requirements. Senior Air Force leaders with the full implementation of this budgeting approach will be able for the first time be able to see and manage the costs associated with environmental compliance. Additionally, our cost accounting procedures have been revised to provide separate cost accounting codes for day to day environmental costs at the installation level.

Tracking environmental issues or cataloging environmental requirements with the growth of environmental regulations is tough and getting tougher. The regulatory framework of Federal, state and local agencies which can place requirements upon us is overwhelming. Daily, our people strive to meet environmental requirements listed in the literally thousands of pages of new environmental regulations generated each year resulting in a climate where there is not enough resources to do all that is expected or desired. An important tool for planning, programming and prioritizing environmental compliance requirements is the OMB

Circular A-106 process. It is a comprehensive, multi-year project listing including identifiable environmental requirements. The process is not a reflection of all environmental costs, but a management tool for MAJCOM and environmental managers to identify and prioritize, in broad terms, those projects required to attain compliance with environmental laws and implementing regulations, and to validate and justify budget requests. Our accounting and budgeting changes when fully implemented will allow our Environmental Protection Committees at all levels to tie together and manage compliance requirements, the compliance budget, the A-106 coordination process, and the fiscal execution of our compliance programs.

The Air Force recognized the need for additional environmental staff and in 1987 initiated manpower studies in Civil and Bioenvironmental Engineering (the primary disciplines involved in the Air Force's environmental programs) to determine our true requirements. While the final results are not due until late 1989, we expect a large increase in the number of validated positions for environmentally trained professionals. Once validated, funding the positions will obviously be another challenge in this time of declining resources.

HAZARDOUS WASTE MANAGEMENT TRAINING

Our on-going training courses are part of a priority effort on the Air Staff to enhance environmental awareness and training at all levels of the Air Force. These courses address all environmental media including the more contemporary issues of radon, asbestos, Community Right to Know (SARA Title III), RCRA, CERCLA, etc. Our training courses are also supplemented by numerous handbooks. Guidance for programming and conducting the Installation Restoration Program (the DoD equivalent of Superfund) and the compliance checklists for ECAMP are just two examples that are updated annually. Another training tool that we are developing is a RCRA training package to provide a tool for environmental managers at the installation level to train and familiarize a wide variety of personnel (from generating shop staff to commanders) on RCRA requirements. We believe that training courses and publications play a major role in our compliance program.

CONCLUSION

We are proud of the progress we have made in cleaning up hazardous waste sites and addressing other environmental issues. The Air Force's environmental program is expanding and becoming more complex due to growing regulatory requirements. We recognize an increasing level of resources are necessary to carry out our environmental responsibilities and have taken some steps to help ensure these resources are available. ECAMP will give our senior leaders an essential management tool and our restructured EPCs will add the needed senior level emphasis on compliance. Our initiatives over the last year are integral to the Air Force's continuing commitment to environmental compliance.

Statement of Jan B. Reitman, Chief
Environmental Policy Office
Defense Logistics Agency

INTRODUCTION

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

I AM PLEASED TO APPEAR BEFORE YOU TODAY TO DESCRIBE THE ENVIRONMENTAL PROGRAM OF THE DEFENSE LOGISTICS AGENCY (DLA).

DLA IS A COMPONENT OF THE DEPARTMENT OF DEFENSE (DOD) REPORTING DIRECTLY TO THE UNDER SECRETARY OF DEFENSE FOR ACQUISITION. WE WERE ESTABLISHED IN 1962 FOR THE GENERAL PURPOSE OF PROVIDING SUPPLIES AND RENDERING SERVICES USED IN COMMON BY THE MILITARY SERVICES. WE HAVE OVER 53,000 PERSONNEL ASSIGNED TO 29 PRIMARY LEVEL FIELD ACTIVITIES WITH OPERATIONS THROUGHOUT THE U.S. AND ABROAD. OUR THREE PRIMARY MISSIONS CONSIST OF SUPPLY SUPPORT FOR SUCH MATERIALS AS SPARE PARTS, FUEL, FOOD, CLOTHING, AND MEDICAL ITEMS; THE ADMINISTRATION OF CONTRACTS ON BEHALF OF THE MILITARY SERVICES, OTHER FEDERAL AGENCIES, AND FOREIGN GOVERNMENTS; AND TECHNICAL AND LOGISTICS SERVICES SUCH AS OPERATION OF THE FEDERAL CATALOG SYSTEM AND THE DOD EXCESS PERSONAL PROPERTY SYSTEM. OUR NEWEST MISSION IS THE OPERATION OF THE DEFENSE NATIONAL STOCKPILE. THIS OPERATION WAS TRANSFERRED FROM THE GENERAL SERVICES ADMINISTRATION AND THE FEDERAL EMERGENCY MANAGEMENT AGENCY IN FEBRUARY 1988.

THE DLA ENVIRONMENTAL COMPLIANCE PROGRAM IS CONCERNED WITH THE PROPER MANAGEMENT AT 36 LOCATIONS. THIS INCLUDES SEVEN SUPPLY CENTERS AND DEPOTS WHICH HAVE BEEN PERMITTED TO DLA FROM THE OWNING MILITARY SERVICE. WE ARE ALSO RESPONSIBLE FOR ENVIRONMENTAL COMPLIANCE AT 18 GOVERNMENT-OWNED, CONTRACTOR-OPERATED ACTIVITIES. SIXTEEN OF THESE ARE BULK PETROLEUM STORAGE AND DISTRIBUTION POINTS OPERATED BY OUR DEFENSE FUEL SUPPLY CENTER. THEY ARE REFERRED TO AS DEFENSE FUEL SUPPORT POINTS, OR DFSPs. DLA DOES NOT USE ENVIRONMENTAL RESTORATION PROGRAM FUNDS FOR CLEANUP PROJECTS AT DFSPs. INSTEAD, SUCH PROJECTS ARE FUNDED THROUGH A STOCK FUND USED TO OPERATE THE TERMINALS. FINALLY, 11 ADDITIONAL SITES WERE TRANSFERRED TO DLA MANAGEMENT AS A RESULT OF THE TRANSFER OF THE DEFENSE NATIONAL STOCKPILE MISSION.

BASE CLOSURE

NO DLA-MANAGED FACILITY HAS BEEN INCLUDED ON THE DOD BASE CLOSURE LIST. DLA HEADQUARTERS IS A TENANT TO THE ARMY AT CAMERON STATION, ALEXANDRIA, VA. DLA IS NOT INVOLVED WITH ANY ENVIRONMENTAL RESTORATION WORK WHICH MAY BE ASSOCIATED WITH THE CLOSURE OF THIS LOCATION.

DLA ENVIRONMENTAL RESTORATION PROGRAM

WITHIN DLA, THE INSTALLATION RESTORATION PROGRAM (IRP) CONSISTS OF ONGOING INVESTIGATIONS AT 27 INSTALLATIONS. THESE INSTALLATIONS VARY WIDELY IN THEIR COMPOSITION AND RESPONSIBILITIES.

WE HAVE IDENTIFIED A TOTAL OF 46 SITES AT THESE 27 INSTALLATIONS WHERE PAST WASTE DISPOSAL PRACTICES MAY BE CONTRIBUTING TO CONTAMINATION OF THE ENVIRONMENT. AT 43 OF THESE SITES THE REMEDIAL INVESTIGATION/FEASIBILITY STUDY (RI/FS) IS UNDERWAY. AT TWO SITES THE RI/FS HAS BEEN COMPLETED. WE HAVE STARTED THE REMEDIAL ACTION OR CLEANUP AT TWO SITES AND ONE SITE IS UNDERGOING LONG-TERM MONITORING.

DURING FY 1988, DLA OBLIGATED $3.5 MILLION FOR IRP ACTIVITIES FROM THE DEFENSE ENVIRONMENTAL RESTORATION ACCOUNT (DERA). ANOTHER $1.4 MILLION OF NON-DERA FUNDS WAS OBLIGATED FOR STUDY AND CLEANUP AT OUR 16 DFSPs. IN ADDITION, WE OBLIGATED ALMOST $6 MILLION OF DERA FUNDS ON WASTE MINIMIZATION INITIATIVES TO REDUCE THE AMOUNT OF HAZARDOUS MATERIALS ENTERING THE DOD PROCUREMENT SYSTEM.

TWO OF THE DLA-MANAGED FACILITIES HAVE BEEN PLACED ON THE ENVIRONMENTAL PROTECTION AGENCY'S NATIONAL PRIORITIES LIST (NPL). ONE IS OUR DEFENSE GENERAL SUPPLY CENTER LOCATED IN RICHMOND, VA, WHERE WE ARE INVESTIGATING THREE SITES FOR PAST HAZARDOUS WASTE DISPOSAL PRACTICES. THESE INCLUDE A FIRE TRAINING AREA, AN ACID NEUTRALIZATION PIT, AND AN OLD HAZARDOUS MATERIAL BURIAL SITE. THE OTHER NPL SITE IS OUR DEFENSE DEPOT LOCATED IN OGDEN, UT, WHERE SIX SITES ARE CURRENTLY UNDER INVESTIGATION. THESE INCLUDE AN OPEN BURNING AREA AND SEVERAL AREAS THAT WERE USED IN THE PAST FOR DISPOSAL OF CHEMICAL ITEMS AND WASTES. BOTH OF THESE INSTALLATIONS ARE CURRENTLY IN THE

RI/FS PHASE. TWO OTHER LOCATIONS WHICH HAVE MAJOR REMEDIAL INVESTIGATIONS ONGOING ARE THE DEFENSE DEPOT MEMPHIS, MEMPHIS, TN, AND THE DEFENSE DEPOT TRACY, TRACY, CA.

WE HAVE ALWAYS WORKED IN CLOSE COORDINATION WITH FEDERAL AND STATE REGULATORS REGARDING OUR IRP INVESTIGATIONS, AT OUR NON-NPL SITES AS WELL AS AT OUR NPL SITES. WE HAVE BEGUN THE PROCESS AT BOTH OF OUR NPL SITES TO NEGOTIATE AN INTERAGENCY AGREEMENT WITH FEDERAL AND STATE REGULATORS FOR STUDY AND CLEANUP OF PAST CONTAMINATION. WE EXPECT TO HAVE THESE AGREEMENTS IN PLACE DURING FY 1990. THESE AGREEMENTS WILL REPLACE EXISTING AGREEMENTS WITH FEDERAL AND STATE ENVIRONMENTAL AUTHORITIES WHICH WERE NEGOTIATED PRIOR TO THE ENACTMENT OF THE SUPERFUND AMENDMENTS AND REAUTHORIZATION ACT (SARA). BECAUSE OF THE COMPLEX AND LENGTHY NATURE OF THE RI/FS PROCESS, WE DO NOT ANTICIPATE REMEDIAL ACTIONS TO BEGIN AT EITHER OF OUR NPL SITES PRIOR TO FY 1991.

OUR LONG-TERM PROGNOSIS FOR DLA INSTALLATIONS IS THAT THE CLEANUP OF ALL OF OUR SITES COULD EXTEND BEYOND THE YEAR 2000. A REPORT PREPARED BY THE MITRE CORPORATION ESTIMATES TOTAL CLEANUP COSTS AT DLA INSTALLATIONS COULD EXCEED $300 MILLION.

WASTE MINIMIZATION

WASTE MINIMIZATION IS ADDRESSED IN OUR COMPREHENSIVE HAZARDOUS PROPERTY MANAGEMENT PLAN. THIS PLAN, FORMALIZED IN 1986, INCORPORATES THE INDIVIDUAL MANAGEMENT AND REDUCTION EFFORTS OF THE VARIOUS FUNCTIONAL ELEMENTS OF THE AGENCY INTO A COMPREHENSIVE AND COORDINATED PROGRAM FOR THE LIFE CYCLE MANAGEMENT OF DLA-MANAGED HAZARDOUS PROPERTY. SPECIFIC PROGRAM ACTIONS ADDRESS INCREASED MANAGEMENT THROUGH APPLICATION OF HAZARDOUS WASTE MINIMIZATION OBJECTIVES IN THE INITIAL DETERMINATION OF REQUIREMENTS, DESIGN, REQUISITION, SUPPLY SYSTEMS, CONSUMER USE, AND DISPOSAL OF HAZARDOUS PROPERTY. EMPHASIS ON CLOSE MANAGEMENT OF HAZARDOUS MATERIALS AND WASTE IS THOROUGHLY RECOGNIZED IN THE DLA EXECUTION OF THE FEDERAL PERSONAL PROPERTY DISPOSAL PROGRAM. DURING FY 88, AN ESTIMATED $76 MILLION COST AVOIDANCE WAS REALIZED THROUGH DISPOSITIONS OF EXCESS DOD PROPERTY MADE UNDER THIS PROGRAM.

CONCLUSION

DLA IS COMMITTED TO IDENTIFYING AND CORRECTING OUR ENVIRONMENTAL PROBLEMS IN CLOSE COORDINATION WITH FEDERAL AND STATE REGULATORY AUTHORITIES. WE ARE MOVING FORWARD WITH OUR ENVIRONMENTAL CLEANUPS AS QUICKLY AS POSSIBLE, BUT WE ARE ENSURING THAT OUR REMEDIAL INVESTIGATIONS ARE FULLY COMPATIBLE WITH ENVIRONMENTAL PROTECTION AGENCY REQUIREMENTS. FINALLY, WE ARE IMPLEMENTING A COMPREHENSIVE WASTE MINIMIZATION PROGRAM TO ENSURE THE LIFE CYCLE MANAGEMENT OF DLA-MANAGED HAZARDOUS PROPERTY.

Senator **Dixon**. Thank you, Mr. Parker. I wonder if the distinguished ranking member, the Senator from Washington, has anything he would like to say before we start the questions.

Senator **Gorton**. Thank you, Mr. Chairman, I do not. I have been interested in Mr. Parker's statement. I will have some questions for him but I will certainly defer to you ask questions first and then we will go on from there.

CLEAN-UP PRIORITIZATION

Senator **Dixon**. I thank the Senator. Mr. Parker, initially, I would like to see if I can seek clarification of a statement you made toward the end of your remarks about the prioritization of these clean-up questions as they impacted base closure. I do not know if I was able to understand exactly what you were saying there. Would you try me again with that part? Maybe in the last three pages or so there, you suggested how you were going to handle that. Or, if you could just suggest to me, from your own memory, how you feel you are going to address that.

Mr. **Parker**. Yes. First of all, Senator, I talked about the base closure impact and the fact that these sites, where there is existing contamination from previous operations, is scheduled to be cleaned up whether or not these installations are to be closed. And our commitment to cleaning up these sites is there.

The way we approached the clean-up was then discussed relative to the procedure that we will use. With all of our sites, we are required by law to go through a preliminary assessment and site inspection; it's a PA/SI, by EPA terminology. After that phase is complete, the EPA has what they call a hazard ranking system in which they put a numerical value on these sites and determine whether or not they are going to be eligible for the national priority list. This sets the priority for funding on a worst-first basis for us.

We do, on some of the bases that are going to be closed, for instance, have NPL sites, and the representatives of the services, I am sure, later will be more than happy to discuss this with you.

Senator **Dixon**. Were you suggesting, or did I miss-hear you, were you suggesting there would be a change in the worst-case-first general policy, with respect to bases that are on the base closure list? You were not?

Mr. **Parker**. No, I was not.

86 BASES TO CLOSE

Senator **Dixon**. Well, then, I would follow up. There are 86, as I recall, on the base closure list. And I presume a good many of those, perhaps a substantial majority of them, are not bases that would qualify on what we would commonly refer to as a priority basis under the worst-case-first policy that we are following.

Do I assume, then, that we would not address environmental questions at some of these bases before they were closed?

Mr. **Parker**. No, that is not correct.

Senator **Dixon**. Then you would——

Mr. **Parker**. The preliminary assessments in site investigations are being done now by the services and concurrently they are doing NEPA studies so that all of the environmental work that is required under the base closure law is being followed. Now, what will happen is that priorities will be put on these sites as far as how they will be cleaned up and whether or not they will be funded by DERA. Now the one thing that——

Senator **Dixon**. Well, but, am I clear, I do not know—is a base going to be advanced on the priority list above a worst-case-first base because it is on the base closure list?

Mr. **Parker**. No. Under our DERP policy, that will not happen. However——

Senator **Dixon**. Well, you certainly do not have money to take care of all the environmental concerns at all the bases. That is why we have a worst-case-first policy, because we do the ones that are the worst first. They are the worst cases and we deal with them first because there is not enough money to clean up the whole thing. We all know there is not enough money to clean up the whole thing. Is that right?

Mr. **Parker**. That is correct.

Senator **Dixon**. Now, what I am trying to get at then, if you are not going to change the policy, I am not for arguing to change that policy at all; I am just trying to clarify it, Mr. Parker. If you are going to continue to follow the genetic policy now in place of worst case first, then I assume that, of these 86 military bases to be closed, some are not on that list; in fact, the majority are not on this list. And my question then is how can you close them and expose them to the public when they have not been cleaned up?

Mr. **Parker**. Ah, now we are talking about two different things here, Senator.

Senator **Dixon**. We are?

Mr. **Parker**. Yes. It is one thing to close them; it is another thing to excess property. And our position——

Senator **Dixon**. Well, you would just close them and let them lie fallow for periods of time——

Mr. **Parker**. No——

Senator **Dixon**. And not clean them up?

Mr. **Parker**. No, our position, as we testified to the Base Closure Commission back last fall, was that, first of all, these sites, even if we were to start on all these sites today, with the requirements and the gates that we have to go through in order to get the clean-ups, these are not going to be done in 6 years. You cannot, for instance, if you have a pump and treat alternative for clean-up of contaminated ground water, you are not going to be done——

Senator DIXON. So you are not going to clean up some of these bases that are going to be closed within the next 6 years.

Mr. PARKER. I think the services have to address that and I do not think that they are prepared to today because we have not finished the preliminary assessments of what has to be done. What I am saying is that there are other funds available for these sites and for these clean-ups if necessary under base closure funds or under other funds——

BASE CLOSURE FUND

Senator DIXON. Well, if base closure funds, if we allowed the whole amount, it would be $500 million; that is a drop in the bucket.

Mr. PARKER. Well, I believe that the Air Force, for instance, feels that most of their program will come under the DERA. The Navy, I do not believe, is too affected, and I think the Army possibly is the one that is the most affected by this, as far as the funds that they will have available.

Senator DIXON. Are you suggesting there is a fund other than the base closing fund and your clean-up fund available somewhere to address this?

Mr. PARKER. I would have to——

Senator DIXON. If so, where is it?

Mr. PARKER. I would have to refer that to the services to see what——

Senator DIXON. Well, I would like to know about that fund because I am on jurisdictional committees and I do not know about it. What fund is there? Other than the fund that Mr. Parker's jurisdictional roof or for environmental clean-up and whatever money that the Congress in its wisdom allows in the authorization and appropriation process, where is there any other money to clean up bases?

Colonel MCALEAR. I believe realistically, there is no other monies, Senator——

Senator DIXON. Well, I believe realistically there is not, either, Colonel.

Colonel MCALEAR. Technically, I suppose, you could use O&M funds, but, as you are probably well aware, O&M funds are being cut as well. So that is not a realistic——

BASE CLOSURE CLEANUP

Senator DIXON. No. See, I am talking about the real world, I am just trying to get a handle on this. I appreciate the limited ability of any one of you to go beyond your own jurisdiction in this.

What I am trying to figure out is, if you are going to close all of these bases, and there are limited funds available in Mr. Parker's jurisdiction over the worst-case-first funds, and I do not quarrel with this policy. Every American would support the policy. You ought to clean up the worst ones first; I do not think there is any quarrel about the common sense of that policy.

We have not even authorized and appropriated the $500 million yet. There will be some question about how much that will be because of all the other fiscal constraints that we see. You know, in my subcommittee alone, the Pentagon wants $610 million to fix up something that has been going into disrepair for 25 years.

The point is, here are limited funds and here are all these bases to close with environmental problems. What I am trying to figure out is, I presume you cannot clean that all up before you close them. If you are going to close them, if you are really going to do that, then are we just going to put fences around them and there they will be? Nothing on them, nothing to be done with them until such time as they get cleaned up? Are we going to change the priority policy and say "notwithstanding, worst-case-first, we will clean up these 86 first"? What are we going to do? That is what I am trying to find out.

Colonel TERMAATH. Mr. Senator, we have looked at that and tried to look at the whole situation. That is, we have looked at the closure installations and those things in installation restoration program which remain to be completed at the closure installations. Okay?

Now, as of the present time and looking at how they fit in the priorities, on behalf of the Air Force, we see where they do fit into the priorities in the proper order and we, at this time, anticipate no problems with them being funded in the defense environmental restoration count.

With regard to the, I guess, the milestones of the schedule in which things would happen is, basically, the mission changes would progress on the schedules established for them.

The installation restoration program would continue on its schedule. There is—so you could have an installation close, the installation restoration program not be completed. However, installation restoration program does not affect the entire installation. We would anticipate, as Mr. Parker stated, that maybe where we are doing a treatment process or there is a portion of the base that has not completed clean-up, we would maintain that portion of the base and keep that portion which we cannot transfer because of the contamination until such time as it is cleaned up.

Now, some of those clean-ups, with regard to the pump and treat, we may be able to transfer a lot of property and only maintain a small segment of that property to which to affect that treatment process. In other cases——

SPENT AMMUNITION CLEANUP

Senator DIXON. I am not worried about pump and treat as places that we have on most of the bases where there is spent ammunition and other things where we do not clean it up, we could blow somebody up. What are we going to do about that?

Colonel TERMAATH. I recognize some of the other services may have a problem with that. We are not anticipating——

Senator DIXON. Well, Army bases certainly have the problem, most of them I am familiar with——

Senator **Coats**. Mr. Chairman, if I could just add there, and if you would yield, the situation we are involved in in Indiana is a proving grounds where we have fired 22 million shells since World War II and the Army estimates that 900,000 of those shells have not been recovered or could be identified.

Senator **Dixon**. Yes.

Senator **Coats**. A phenomenal clean-up problem at Jefferson Proving Grounds.

Senator **Dixon**. My time is up and I want to yield to my distinguished ranking member, but I can conclude by making this point. I will give you an example at Fort Sheridan. That is very valuable ground; nobody would quarrel about it.

I would assert, as I have many times, in the end I do not think any of it is going to be sold; I think this is a fraudulent bill of goods. In any event, there is an area at Fort Sheridan in one of the most valuable sites in the country along Lake Michigan that is full of spent ammunition. I presume you are not going to sell that to build on under those circumstances. I presume we have better judgment than that. And nobody has yet indicated how we are going to do this.

Incidentally, I do not claim that is a worst-case-first basis because it is not. It is not hazardous waste and most of the land there is clean. These are problems. Nobody has yet suggested how we are handling it. I am not being critical of any of you because the problem is bigger than the money we have. That is what I am trying to say.

I know I am imposing a little. If I may just conclude, though, one of the things we said last year when all this was done in a hurry, is now what do we do when it is drop dead day? I mean, I see this as a tremendous and kind of serious problem in the country and I do not know that anybody has suggested to this Senator, or others that have asked, exactly how we handle it yet.

I do not have any quarrel with any of the policies you are following and I do not have any quarrel with the policy that you can do it if you have the money. But we do not have the money to give you.

I yield to my colleague.

Senator **Gorton**. I think I would like to follow up on what the chairman has been asking about and see whether or not I understand Colonel Termaath's answer, and then ask one specific.

I take it that, well, first, Mr. Parker, of the 86, and I think it is 86 sites on the national priority list, how many of those, which are already priority sites, are on bases which are subject to the base closure report? Do you know?

Mr. **Parker**. I think I would like to poll the Army and the Air Force and the Navy just to check on the numbers on that.

Senator **Gorton**. Okay.

Colonel **McAlear**. I believe the Army has three sites that are slated for base closure which are on the national priorities list.

Ms. **Stehle**. The Navy has none.

Senator **Gorton**. The Navy has none?

Ms. **Stehle**. I will have to check the numbers here, I believe we have got three or four.

Senator GORTON. Okay. Not very many. Certainly no more than 10 altogether fall into that category. So others will be of a somewhat lower priority, at least, than the present NPL. And I gather, Colonel, from what you said, and I think Mr. Parker would agree, that in those cases, in most of those cases, the particular part of the base which is being closed which has hazardous waste on it is less than the whole base, and, in some cases, only a relatively small portion of the base.

Mr. PARKER. That is correct, Senator.

SELLING BASES FREE OF HAZARDOUS WASTE

Senator GORTON. And so any portion of the base which was not, did not have hazardous materials on it could be sold or disposed of or whatever else was planned in connection with base closure.

Mr. PARKER. That is right. Also, as we pointed out in our testimony, we do remain liable for the clean-up portions of this site even after we release it. So, obviously, we are very concerned about how this is cleaned up.

Senator GORTON. Now, that does lead to my next question. Are there some of these areas which have hazardous waste on them which is hazardous waste of a low enough quality that you would probably dispose of them in any event with some kind of caveat at retaining the responsibility to clean up at some point in the future? Or would you just simply say, "There will be nothing disposed of that is one of these sites, no matter how relatively minimal the risk."

Mr. PARKER. The sites with hazardous waste on them will have to be cleaned up before we excess them.

Senator GORTON. None of them will be disposed of while there are any hazardous waste on the site.

Mr. PARKER. That is right.

Senator GORTON. Okay. Now, Ms. Stehle—is it "steel" or "steely"?

Ms. STEHLE. Stehle.

SAND POINT NAVAL AIR STATION

Senator GORTON. Stehle. Ms. Stehle, to ask a parochial question, but perhaps the answer will be general and will apply to everywhere across the country. I think the one place that you are getting rid of in the State of Washington is most of the Sand Point Naval Air Station. My notes indicate that the cost of whatever hazardous waste removal there is there is some half a million dollars. Presumably, knowing the base, a relatively small portion of it.

Ms. STEHLE. That is correct.

Senator GORTON. When you have that small an amount, is that likely to be accomplished before disposing of the base out of base closure funds rather than out of the hazardous waste funds? Because, obviously, it is not on the NPL.

Ms. STEHLE. It is not on the NPL and it probably would not be high enough to get up to a high priority. We have been contemplating the possibility of using base closure money to be able to effect that clean-up so that we could dispose of that properly.

Senator GORTON. Because that is a relatively small amount of money.

Ms. STEHLE. That is correct.

Senator GORTON. And would that be true for the other services as well with what I would suppose would be a large number of the sites where you would say less than $1 million for the clean-up, would you be likely to use base closure money under those circumstances?

Colonel MCALEAR. I think so, sir. I might add something to amplify the answer that Mr. Parker gave to you a minute ago. The Army and I am sure the other services are, as well, working with the Office of Economic Adjustment, and it may well be that, in some cases, where there is contamination, even though our policy would be to clean up before we would release that property, that property could be released without total cleanup.

If an industry were to come in that has like-type contamination, arrangements perhaps could be made that we retain responsibility and liability; however, you do not clean up if you are going to contaminate. Now, as an example, Senator Coats is concerned about Jefferson Proving Grounds. If the Indiana Air National Guard wished to retain the use of that range for bombing practice, that perhaps could be worked out so we do not clean up that range of all that unexploded ordnance. That is an example. I do not know if it is a realistic example in that case.

WOODBY ISLAND NAVAL AIR STATION

Senator GORTON. Ms. Stehle, let me ask you one more parochial question. I note that the Naval Air Station, Woodby Island, which is on the water, is now being studied for inclusion on NPL. Among other things, I have a son-in-law stationed at that base. What is the status?

Ms. STEHLE. It is a proposed site. EPA has proposed it for the NPL. We are working with the State and with the EPA region on preparing the study to do the remedial investigation/feasibility study. That is ongoing.

Senator GORTON. How long a process is that until a final decision?

Ms. STEHLE. If you give me a minute, I can look it up.

Senator GORTON. Well, while you are looking that up, since I am about to run out of time, I want to go on to another subject and I will pose this question for Mr. Parker while Ms. Stehle looks that up.

I would like you to give me a relatively brief answer, but, nonetheless one including your philosophy on a related but quite different subject is this. We now see what a terrible problem we have, the billions of dollars and literally more than a decade that we are going to spend on solving this problem.

AVOID CREATING HAZARDOUS WASTE SITES

How content are you, how satisfied are you, with plans that the services have not to just go on repeating this? To deal, you know, with future problems in a way which do not create as many hazardous waste sites. How much attention should this subcommittee and this authorization bill pay to prevention as opposed to cure? Ms. Stehle has her answer really quickly; we can let her go and then hang on. Do you have it?

Ms. STEHLE. Yes, I do have the answer. We are estimating it will be September 1993 before we have a remedial investigation/feasibility study done. However, if we find something that needs to be cleaned up immediately, we can go in and do that at the same time that the study is continuing.

Senator GORTON. Thank you. Mr. Parker, can you take that other subject on for a moment?

Mr. PARKER. Yes, Senator. I want to thank you for asking this question. Number one, I believe that some of your oversight should be directed at this over the next few years and I think we have a good story to tell. I think it is a good story today and I think it will be better in the future.

What we are undergoing at the Department of Defense is a cultural change. We have initiated such things as total quality management in everything that we are doing. And I am sure you have heard about that before. We have an initiative now that is moving on total quality management of hazardous materials. This program is directed at, first, trying to find substitute materials and keep hazardous materials out of our system. By doing that, we reduce the amount of material that possibly can generate hazardous waste.

Also, as a second prong of this attack, are looking at, are committed to reducing the amount of hazardous material, hazardous waste that we generate. In using the TQM principles of continuously trying to reduce incrementally and show a downward trend line, that, in the long run, it is our intention to come to as little production of hazardous waste as possible. And, of course, the less waste we have, the less potential we have for spills and contamination.

The logistics community has undertaken a program of their own in which they are committed to trying to reduce the amount of hazardous waste that they are producing by 50 percent from 1986 levels by 1992.

I have worked with the Joint Logistics Command. I know that all these people are on board; they have a number of programs going, and I applaud this, but, as I told them the other day,

> Gentlemen, we are in this for the long run and I am more interested in seeing that trend line than I am a one-time splurge in goal of 50 percent. When you get to 50 percent, I want to hear your next 5-year goal. And I always want to see us biting off an additional reduction.

And they told me that they are dedicated to this. So I think we are doing a good job. OTA has looked at our program; they say that we are one of the few industries in the United States that is taking the approach of reducing hazardous materials instead of just looking at the end of the pipe handling of hazardous waste generated.

Senator DIXON. I thank the distinguished ranking member. I am going to recognize the Senator from Indiana, Senator Coats, at this time, and then I wonder if my distinguished colleague from Colorado would be kind enough to chair, as I have a 3 o'clock obligation elsewhere. I want to thank every member of the panel for their accommodation. We appreciate it. Senator Coats.

JEFFERSON PROVING GROUNDS

Senator **Coats**. Thank you, Mr. Chairman. Thank you, panel, for your testimony, and apparently you are aware, or at least some of you are aware of the unique situation that exists at Jefferson Proving Grounds in southern Indiana.

Colonel McAlear, obviously, you have looked at that and we have been in contact before. I wanted to ask several questions regarding that because we are looking at a potential clean-up whose sole cost for that one facility exceeds your annual appropriation. And that does not take into account the some 8,000 other sites that qualify for some kind of clean-up, and therefore it is clear that, on the environmental clean-up for Jefferson Proving Grounds, we are going to have to look to some other source.

And I am wondering how much you have explored this and how many discussions or the extent of those discussions that you have had with others relative to the impact of the Jefferson Proving Ground and environmental clean-up situation on the defense environment fund, restoration fund, and other sources of funding.

Mr. **Parker**. Senator, if I might just before Colonel McAlear gives you some of the technical details, I would like to clarify for the record, and I am sorry we missed you the other day at Representative Ray's hearing, because we did clarify this for him. The environmental restoration account was set up under the Superfund amendments, and, as such, it was set up specifically for the clean-up of hazardous waste.

Now, the problem that you are talking about at the Jefferson Proving Ground munitions is not classified as a hazardous waste, and as such is not eligible for funding under DERA, and I think you should understand that is not a problem we will be dealing with on a worst-first basis at the DOD.

Senator **Coats**. Even with the fact that there are an estimated quantity of depleted uranium penetrators that were used in some of the firings, that still does not qualify for that?

Mr. **Parker**. No. No.

Senator **Coats**. Okay. So nothing on that base would qualify then for that particular funds appropriations?

Mr. **Parker**. I think I want to turn the "nothing"——

Senator **Coats**. Well, at least the majority of what we are talking about——

Mr. **Parker**. The majority——

Senator **Coats**. What you are saying there will be some small hazardous waste——

Mr. **Parker**. I never say "never."

Senator **Coats** [continuing]. Deposit that is there, but not the heart of the clean-up.

Mr. **Parker**. Right.

Senator **Coats**. All right, thank you for that, Mr. Parker.

Colonel **McAlear**. There are some sites that have been identified at Jefferson Proving Ground that would be eligible for the DERA-type funding. These are waste disposal sites that have not been at a high enough priority, however, to be funded by DERA. And if, for some reason, the priority were raised, and I do not know what that would be unless Jefferson Proving Ground came out on the national priorities list. They would still probably not get funded by DERA.

Senator **Coats**. But that does not get to the heart of the problem and even if we identified those sites, even if we got them on the priority list, we still do not get to the heart of the problem, do we?

Colonel **McAlear**. That is correct, sir. And to answer your initial question, we have, frankly, not done anything at this point in terms of trying to identify another source of funding to clean up the unexploded ordnance at Jefferson Proving Ground.

Senator **Coats**. Do you have any idea of when you might begin that process?

Colonel **McAlear**. I think there are a lot of variables that have to be taken into account, one of which I mentioned a little bit ago, as to what the future use of that land will be. It may well be, and I am speaking hypothetically here, that it will cost so much that we will not be able to clean that up to unrestricted use for many years in the future, until some technique or technology is developed that would allow us to do that.

And we may have to select a land use which would be consistent with either a partial clean-up, such as a surface clearing type operation, as a wildlife refuge. Or there may be other uses; there may be some industrial uses that can be made of that land without the intense subsurface clearing that would be required for unrestricted use there.

PAY-BACK PERIOD

Senator **Coats**. Of course, in doing so, that would alter dramatically the pay-back period that was estimated by the Commission in the original determination. I assume, I mean, there is probably a variation of possibilities there, each of which would have a different pay-back period. But that could drastically alter that decision, which was—the basis for that decision, which was used in determining whether or not it should be closed in the first place.

Colonel **McAlear**. I would say perhaps you are correct. I am not sure what the Commission took into account in determining their pay-back formula——

Senator **Coats**. Well, I can tell you. They said they were going to turn it into farmland and based it on the going rate for farmland in that part of the State, which was $450 an acre and multiplied it by 55,000 acres. We have not been able to find any farmers that want to run their plows over that land yet.

Colonel **McAlear**. And that is not the technology I was talking about in the terms of clearance. [Laughter.]

Senator **Coats**. What kind of relationship will you be having with State and local officials as you examine these plans and look at the various alternatives?

Colonel **McAlear**. It is my understanding we have a separate base realignment and closure office within headquarters at the Department of Army, and they are coordinating with the Office of Economic Adjustment.

That office will coordinate, confer with the local officials and they will try to come up with a plan, future plan for the use of that land. Of course, that has got to be consistent with whatever cleanup can be accomplished there. It may well be that a portion of that land can be used for a certain purpose and the rest of it may have to be limited to no access until it is cleaned up in some future time period.

Senator COATS. Well, you can understand the difficult situation that puts the local community or the State in because there was some assurance initially that, yes, we might be closing your base, but if we are, it will be available for other, alternative uses. And that is a partial salve to the wound of losing several hundred jobs and a lot of economic base for a small community.

But then to come back a few months later and say, "Well, we are probably going to have to fence it off or put it into a very restricted use," that is not really very reassuring to the people of that community.

Colonel MCALEAR. I can appreciate that.

Senator COATS. When has a timetable been established for when those decisions will begin to be made or when a consideration will be undertaken in terms of alternative uses?

Colonel MCALEAR. I am not aware of the timetables for that decision. However, I am aware that we will complete what we call enhanced preliminary assessment/site investigations that are required, because our initial assessments were made some years ago and did not take into account everything that would have to be cleaned up under base closure conditions. We will do that within the next 18 to 24 months for all our sites to be closed.

In addition, the NEPA documentation will take place at each of those sites. In the case of Jefferson, I think today was the preliminary date for the scoping meeting for the environmental impact statement out there.

Senator COATS. Well, without saying it, I would certainly like to be apprised of various steps you take in this process, as would State and local officials, and I would be happy to use my office as a facilitator for passing on that information if that is the appropriate way to do it.

So, to the extent that you can keep us apprised of your thinking, your decision-making process, so that we can have input into it and react as quickly as possible, that would be greatly appreciated.

Colonel MCALEAR. Yes, sir.

Senator COATS. Thank you. Thank you, Mr. Chairman.

Senator WIRTH [presiding]. Thank you very much, Senator Coats. Ms. Stehle, thank you very much for being here. I am sorry that I was not here for your opening statements, but I did have a chance to review them. Colonel McAlear, that is correct, McAlear?

Colonel MCALEAR. McAlear, sir.

CLEANUP STATUS OF ROCKY MOUNTAIN ARSENAL

Senator WIRTH. Can you give us the current status of the cleanup activities at Rocky Mountain Arsenal?

Colonel MCALEAR. Yes, sir. As I believe you are aware, one of the interim remedial actions out there concerning Basin F has been essentially complete, except for some lingering problems which I can discuss with you in just a minute.

In essence, there are 13 interim remedial actions programmed for Rocky Mountain Arsenal. Basin F is probably the most onerous of those and that basin has been completely drained, the fluid has been temporarily stored now in three tanks plus a lined pond, and all the sediments have been put in a waste pile, capped, and the top of the caps seeded—

Senator WIRTH. What is your best sense of what percentage of the problem is Basin F?

Colonel MCALEAR. I believe that certainly the source of the groundwater contamination which came from Basin F has been arrested at this point. Of course, we have got to treat the fluids as well as the sediments in the waste pile, and that will be part of the final remedial action at Rocky Mountain Arsenal.

Senator WIRTH. For Basin F.

Colonel MCALEAR. Well, it will be part of the total remedial action for the entire arsenal. In other words, it will be included in all the other clean-up requirements at the arsenal. And the final remedial investigation/feasibility study, I believe, is scheduled to be complete by 1993 on the post. And the off-post RIFS will be complete before then.

Senator WIRTH. Have you all, to your satisfaction, resolved the problems between the Federal Government and the State of Colorado?

Colonel MCALEAR. No, sir, we certainly have not solved the problems.

Senator WIRTH. What is your analysis and recommendation as to how the conflict between the State of Colorado and its set of standards, and the Department of the Army and its set of standards is going to be resolved?

Colonel MCALEAR. Well, I would like to clarify one thing. It is between the State of Colorado and their standards and the Environmental Protection Agency and their standards. It, in my view, is an issue as to who has the final say-so, control over the clean-up.

Senator WIRTH. Who does?

Colonel MCALEAR. We like to think that EPA does, because Rocky Mountain Arsenal and now Basin F are listed on a national priorities list, and therefore the clean-up ought to come under the CERCLA provision.

Senator WIRTH. And the State of Colorado is arguing that it is a RCRA process, right?

Colonel MCALEAR. That is correct, sir.

Senator WIRTH. And that they are an active participant and an active site and therefore there ought to be standards set, is that correct?

Colonel MCALEAR. Essentially, yes, sir.

Senator WIRTH. How does this get resolved? Does it have to get resolved legislatively?

Colonel MCALEAR. Well——

Senator WIRTH. Has not a Federal court ruled on the side of Judge Carrigan? Did he not rule on the side of the State of Colorado?

Colonel MCALEAR. Yes, sir, he did, in a certain aspect regarding Basin F. That, however, was before Basin F was listed on the national priorities list. Since it is now listed on the national priorities list, the Army as well as the Department of Justice has gone back to Judge Carrigan and have asked him to reconsider his motion.

Senator WIRTH. And what is his response to that?

Colonel McALEAR. I do not believe he has made a response yet.

Senator WIRTH. And if he were to reconsider on the side of the Department of the Army or of EPA, then allegedly the problem would be solved? Is that right?

Colonel McALEAR. I think it would go a long way to solving the problem, except that the State of Colorado would probably appeal that decision.

Senator WIRTH. Is this, in your opinion, and Mr. Parker you might want to jump into this, a unique situation in Colorado or are there other situations in which State governments or other jurisdictions have established higher standards which are important for the public health of the people that they represent?

The State of Colorado has established higher standards than the Federal Government, through the EPA, or the Department of Defense and there is a conflict between the two. That is essentially the problem at Rocky Mountain Arsenal. Is that right?

Colonel McALEAR. Yes, sir.

Senator WIRTH. Does that exist any place else? Have you run into that elsewhere? Any of you might want to comment on that.

Mr. PARKER. Senator, yes, we have had some problems with the so-called CERCLA/RCRA overlap on several other installations. I do not believe that it has always been because of more stringent requirements on the part of the State as much as a question of who is in charge, who is going to make the decisions, who is actually in charge of the enforcement, and therefore, who controls the time schedule.

And, yes, we are seeing at least at four or five installations right now this problem, and we are concerned about this. We are concerned that we have two laws that we are trying to work under and, in effect, we can be made under these laws to clean up sites twice to meet Federal requirements and State requirements. In some way, this has got to be sorted out.

Senator WIRTH. How does that get sorted out, Mr. Parker?

Mr. PARKER. Well, I think it has to be looked at again here in Congress. I think you have to review the laws.

Senator WIRTH. Do you have recommendations to us on that front? If this is a problem that is emerging in Colorado at the Rocky Mountain Arsenal and elsewhere, do we have recommendations from the administration or the Department of Defense, as to what legislative changes are appropriate?

Mr. PARKER. I do not have any recommendations today at this time, and I certainly cannot speak at this point——

Senator WIRTH. Have you all reviewed that? This problem has been at least at the top of the agenda in our office for a year and a half. I think that is about right, is it not, Mr. McAlear?

Colonel McALEAR. Yes, sir.

Senator WIRTH. And if that is a problem that has existed elsewhere, is it not appropriate, that we should ask you, Mr. Parker, for your legislative recommendations?

Mr. PARKER. I can tell you right now that it basically falls in Superfund with section 120(i) and under RCRA section 3004-U.

Senator **Wirth**. I understand where the problem is. The question is what to do about it. If you were sitting where we are, given what you know about the size and scope of the Rocky problem and elsewhere, what should we be asking you?

I think maybe we should be asking for your recommendations as to what we ought to do to reconcile conflicting standards, which you are suggesting is the problem.

Mr. **Parker**. Well, in all probability, in the administration, the proper people to ask would be Justice and EPA for their recommendations on this. That is where the responsibility for clarity in the law comes.

Senator **Wirth**. Are they aware of the problem as we have been discussing it this afternoon?

Mr. **Parker**. Oh, yes. We have spent a lot of time working together on these various issues. For instance, Colonel McAlear has talked about Justice defending the Army at Rocky Mountain. We are dealing with EPA and with Justice on a number of other sites in trying to sift out the various legal problems that we have and then deal with them.

What we are trying to do, and I mentioned this in my testimony earlier, Senator, in trying to get clarification here, we are working with EPA and with the States on inter-agency agreements. And what we hope to do with these agreements is, in effect, get by these working problems and come out with a road map of how we are going to clean up these sites and do this early on, so that everybody is in the same boat, rowing in the same direction, and we can move ahead and get the sites cleaned up.

Now, I also mention that we have 36 sites on the NPL now; 16 proposed and possibly 200 sites total on the NPL out of all the sites that we have. We are talking now about a universe of over 8,000 potential sites for clean-up. So when we talk about this overlap problem and we talk about the problems that we have today, we have to put that in its perspective. We have these problems at our worst sites; these are the ones that we are doing first. Obviously, this is what you are hearing about.

I think we are going to, in time, through the IAG process and through building up some mutual respect for one another, be able to work through this problem. On the non-NPL sites, we are working out with the States through their representatives a defense/State memorandas of agreement on how we are going to deal with the clean-up of non-NPL sites, where we are dealing directly with the States without the EPA.

So, again, we are focusing in on a very small sample of the entire problem when we talk about these. And if we are talking five now, these are what get the headlines, these are what go to court, but, by and large, these are small pieces of the total pie.

SUPER ENERGY AGENCY

Senator **Wirth**. I was in the House for 12 years before coming to the Senate. I took part in the battle in the late 1970s when Jimmy Carter proposed the Super Energy Agency that would allow the Federal Government to come in and override a whole variety of State, air, water, and other laws for the purpose of synthetic fuels.

That proposal got defeated after a very brutal battle. Congress came out on the side of the States' ability to establish rules and standards, that that State felt were appropriate for the constituents of that State.

We went through the same sort of thing when we did the Superfund legislation in 1985/1986, in which there again was an attempt to override State statutes, and the Congress once again said no. Now it does not seem to me that it is very likely, going back to our previous discussion, that the Congress is going to fall back. I would not think it is very likely that that would happen—that the Congress would fall back and say—having come down on the side of State standard priority in the late 1970s with the energy issues, and again in the mid 1980s with Superfund, that we are going to fall back and not require compliance with State standards. That does not seem to be very logical.

Mr. PARKER. I do not think we are saying that. What the law says is for NPL sites, EPA will take the lead. For non-NPL sites, the States have the lead, where they have their rules and regulations. And for RCRA the States have the lead. Now, also under the Superfund law, so called ARARs, where the States can up front bring in their rules and regulations and these can be included in the work plan as standards for clean up. The one provision is that these have to be standards that are in place and are not arbitrary and capricious. So as long as those are in there, the only question is who is going to pay for it. And again the law describes that and says that the State can get anything they want on NPL sites, but in some instances they may have to pay for the additional add on clean up. So there are provisions in there.

Senator WIRTH. Regarding our discussion on what happened with Rocky Mountain Arsenal and Judge Carrigan. What you are saying Colonel is that Rocky Mountain Arsenal has been declared a national priority site, and that change in its status means that you can go back to Judge Carrigan and say that the arguments that the Army made about the clean up schedule should take precedence over those made by the State of Colorado. It that correct?

Colonel MCALEAR. That is correct sir.

ROCKY MOUNTAIN ARSENAL CLEANUP TIME AND COST

Senator WIRTH. If that were to happen, what is then your estimate of the time and schedule for the clean up of Rocky Mountain Arsenal? Time and cost schedule.

Colonel MCALEAR. Well the cost schedule we are still talking about—between $750 million and $1 billion to clean up Rocky Mountain Arsenal.

Senator WIRTH. Over what period?

Colonel MCALEAR. Over a period of probably at least 10 years, into the year 2000.

Senator WIRTH. So about $100 million a year would be going into cleaning up Rocky alone.

Colonel MCALEAR. We have already spent $200 million.

Senator WIRTH. I see. That obviously leads us to the overall question of funding for all of this, does it not? Last year we had testimony from the Department of Defense that what we had in front of us was an environmental time bomb and now the time bomb is going off, is that right?

Mr. **Parker**. Certainly public pressure is building to go faster.

Senator **Wirth**. And certainly our awareness of the size and scope of the problem is growing as well is it not?

Mr. **Parker**. I believe it is, yes.

Senator **Wirth**. And as that happens there is an increasing sense of urgency in the Department of Defense to move on this—as there is up here.

Mr. **Parker**. Oh yes, we certainly want to do the right thing.

Senator **Wirth**. I think that is true, but then that also leads us to the terrible bow wave questions that we have. We have to look at the budgets that we are dealing with. We recently had testimony on the fact that the Defense Department 5 Year Defense Plan will cost in the neighborhood of $400 billion and the package to fit that into is $300 billion. We are going to have to see some major cuts in weapons programs, manpower and so on. This all will leave precious little money for the kind of clean up that will be necessary. I look at the schedule of funding over the next 8 or 9 years, as presented in your testimony, and there doesn't seem to be enough money to fund that schedule—particularly, for these major programs like Rocky Mountain Arsenal. You have a real problem right?

Mr. **Parker**. Yes we do.

BUDGET REQUEST

Senator **Wirth**. What request did you send in to the Secretary's office for clean up? Did that differ from what came up in the President's budget request?

Mr. **Parker**. The request that the Secretary sent over to the White House is what is in the President's request.

Senator **Wirth**. And what was your request internally to the Secretary?

Mr. **Parker**. It was higher than I—I think it was in the range of about $800 million.

Senator **Wirth**. And you ended up with $500 million?

Mr. **Parker**. That is right.

Senator **Wirth**. And $800 million was your best sense of what ought to be done.

Mr. **Parker**. In looking at the program that we had laid out, we saw the cost rising through around 1992 or 1993. We have a cost curve in our annual report. I do not know Senator if you have a copy of this handy. Possibly one of the staff has it but we have it on page 122, two curves that show the basic cash flow of the program. This was put together on a number of—somebody passed me a note that you also have it in the handout that we gave you today. Shows the cash flow projection based on a number of assumptions we have made about the types of sites that we will be dealing with and the mix of those sites and what the cash flow demand would be in order for us to logically move these sites on from the report and study stages through the design and construction and long term O&M remediations.

Now, even with this type of cash flow, what we are doing is as we get into the very expensive clean ups is we are creating a queue where the sites that are the lowest priorities will have to wait from the time that the reports are done until we actually start construction.

Senator **WIRTH**. And your budget, is lower than the heavy black line on 122.

Mr. **PARKER**. That is right. Our budget——

Senator **WIRTH**. In fact, we ought to have three lines in there. What ought to be, what you would like to have, and what is. Is that right?

Mr. **PARKER**. Well the triangles show what we have received to date. And of course those are shown on the line. However, I would point out that if you took the dollars under the area of these curves even if you evened out at $500 million over the period that we are talking about this program, 15 to 20 years, you come reasonably close to completing the program.

Senator **WIRTH**. Is the heavy black line reflected in your 5 year program.

Mr. **PARKER**. No, not now. Our program is basically flat with inflation.

Senator **WIRTH**. So this really is a very unrealistic pair of curves. The top one is correct.

Mr. **PARKER**. This was our best estimate at the time we did this.

Senator **WIRTH**. At the time this was put together.

Mr. **PARKER**. This is just a photo of what we were doing. Now we are going back and reviewing our needs again, now, and we will internally be reviewing those again.

Senator **WIRTH**. When will we get that back from you? We are going into the authorization cycle right now and it seems to me that this has to be part of what we do for the Department of Defense.

Mr. **PARKER**. I believe that we can get by in 1990. We are looking——

Senator **WIRTH**. The 5-year plan.

Mr. **PARKER**. That we are looking at now. And that we will be looking at.

Senator **WIRTH**. My staff points out to me that this does not include Rocky Mountain Arsenal.

Mr. **PARKER**. That is correct. It does not include that.

Senator **WIRTH**. Why does it not include Rocky?

BUILDING DEMOLITION AND DEBRIS REMOVAL (BDDR)

Mr. **PARKER**. First of all, BDDR is something that was stuck into this bill. It is a building demolition and debris removal. And we have no way of estimating what that might be.

Senator **WIRTH**. The Rocky is going to be $100 million a year over a 10 or 12 year period of time.

Mr. **PARKER**. Right.

Senator **WIRTH**. So this problem gets even worse than yours—you suggest there——

Mr. **PARKER**. This is just the way these curves were started and for consistency has been carried on this way.

Senator WIRTH. Can we get from you what it would take for you to get to what you think the 5-year plan ought to be to reach the black line, including Rocky. How long would it take to get from you those 5-year numbers? Can we just include the dotted line plus Rocky?

Mr. PARKER. No, it has been pointed out to me that we are still working with very preliminary numbers because a lot of these studies are not——

Senator WIRTH. We have got to put together an authorization bill. I understand how tentative the numbers are. We all do the best we can.

Mr. PARKER. Can I get back to you. I am sorry, I was not prepared for this.

Senator WIRTH. There is no reason that you would be, I am just saying can we get that back from you? It seems to me it is important for us. I mean based upon the discussion we just had, I would think that we would want to recommend to the committee and to the Senate that we do the dotted line plus Rocky Mountain Arsenal. That is what ought to be done, is that not right?

Mr. PARKER. We will work with your staffers and get back to you.

Senator WIRTH. Great! Could you do that?

Mr. PARKER. Yes.

Senator WIRTH. Thank you very much Mr. Parker.

[The information follows:]

ENVIRONMENTAL RESTORATION FUNDING

The 5-Year Defense Plan (FYDP) for the Environmental Restoration, Defense appropriation provides the Departments planned expenditures. The current amount in the fiscal year 1990–1994 is $2.7 billion. It should be noted that the FYDP is intended to be used as a planning tool in the formulation of future budgets through the Planning, Programming and Budgeting System (PPBS). This system provides comprehensive program review during which the FYDP is addressed. Specific information such as program growth, executability, statutory requirements and program direction is included.

Senator WIRTH. Senator Wilson you have been very patient.

Senator WILSON. Mr. Chairman, thank you for the courtesy of letting me sit with you. I have great interest in the subject matter that you are involved with in this hearing, even though I am not privileged to be a member of the subcommittee. I apologize for coming in late, I had been around the corner in 222, where we are dealing with chemical warfare. Let me just ask this.

TOXIC WASTE CLEANUP

Without having heard what you have reported, my own experience and trying to deal with the problem of toxic waste clean up at military bases in California, including those in particular that are on the NPL list, have been that there seems to be a certain common thread that has resulted in a significant delay and a significant dissatisfaction expressed on the part of local officials trying to deal with a succession of military commanders. That in itself may be a problem but it is not an insuperable one.

But I have found that EPA and the locals tend to put the blame on the Department of Defense for being recalcitrant. It seems to me the reasons for the recalcitrance, if you accept that it exists, relate to the possibility of concern about funding, but even more so the concern about potential liability.

But what does seem to have taken a great deal of time is that whatever is causing the hestitation, the interagency agreements that are necessary before clean up can begin, before there is actually an approved plan, have taken a very, very long time, and in some cases, have not been completed yet. One of the seemingly better efforts on the surface is the El Toro Marine Base, that is the air station, and yet that has proceeded slowly enough so that the Orange County Water District has lost patience and has begun clean up of off base contamination, TCE contamination, specifically, because they feel they cannot afford to wait further for the Marine Corps to finish all of its studies and those studies are dictated by a concern about liability. Am I right so far.

Ms. **STEHLE**. I am not familiar with that exact instance, but our position is that until we know that contamination is our responsibility, we do not go out and clean up. My guess is that in that case, the Marines do not feel that that is something that has come from El Toro. However, I can get back to you on that.

Senator **WILSON**. Well, you are right. And we will all save you questions for the record. Because you are right. It has to do with their concern that a lot of the pollution was created by civilian owners of land and that it was not caused by any activity of the Marine air station. The problem from the standpoint of the local county water authority is that they have decided that they need to move regardless of who it is that is actually responsible for having caused this toxic problem and they fear will affect the water supply. So they have gone forward.

It seems to me that we have got a serious situation here in that the Department of Defense, like virtually every other property owner I know who is required under law to clean up a toxic site of which it is the owner, is very, very apprehensive about what they conceive of as being potentially unlimited liability. And it seems to me that this is a problem larger than simply the Department of Defense's efforts at restoration—environmental restoration.

What has been the experience of the Department in dealing with EPA in trying to cut through what seems to me to be the central problem is the problem of where you assign limits to liability because I can understand the Department might take the position we are willing to clean up what we have caused, but we do not want to be stuck with the cost of things that we are not responsible for.

The by-play between the Pentagon and EPA has been on how to divide liability and proceed with actual clean up in a way that is equitable. It seems to me, you have got some rather obvious policy choices here.

Mr. **PARKER**. First of all, on the liability issue, the liability issue is built into the law. We really do not have any flexibility, as I understand the law, as far as having to accept so called cradle to grave responsibility for our properties. And we cannot walk away from it. If, for instance, we clean up to a standard today and 5 years from now somebody finds that a lower standard is needed for protection of public health—somebody has become infected or become sick in the interim—we stand the liability on that. We will have to go to court or have to settle any claims of this sort. So, therefore, yes, we are very concerned. The question of how clean is clean is something that by law EPA is required to deal with in declaring what has to be done as far as a standard for clean up of a site.

As far as the State of California goes, I think that we are developing a very good working relationship with the State. It has been on the upturn certainly over the last few months. We have been working with Alex Cunningham out there. We have successfully negotiated an interagency agreement that the Air Force would be happy to tell you about; the negotiations that they had with the State of California and EPA and 3-party negotiation about 1 month ago, where they have essentially come to closure on four sites?

Colonel TERMAATH. Yes.

Mr. PARKER. And we are working very closely with the State to deal with the problems, especially at our NPL sites out there, right now.

Senator WILSON. Soon, we will hear from the Air Force and I am interested, very interested in that response. The problem though, where we do not have closure, seems to center upon the inability to resolve this problem of liability. And you make the point, that you think under the law, the property owner including the military where there is a base is stuck to produce a clean up that meets the requirements of the law.

I think though that that is a little too broad a statement, because there is a question, just as there are factual questions, that seems to have delayed this more than anything else. Where they have clearly caused the liability and they are not, I think, contesting it, but what is causing the delay is the effort to resolve whether or not they have in fact caused a particular problem off base with respect to what they have on base, they inherit the problem.

They understand that. The problem has to do with what has been occurring off base where there is reason for them to believe at least, that somebody else has caused that problem.

That is the greater concern. Because I think in the prior instance, fear or not, the law is clear and the responsibility is fixed.

Mr. PARKER. We do have problems where this does occur. Where it is established and we are sure that that pollution has been caused by something that we have done, we step up to it immediately and come in with any sort of interim remedial action that is necessary. For instance, at Rocky Mountain Arsenal, the Army gave EPA and the State $10 million for off-post water treatment facilities in order to handle an off-site problem. We have had other instances where we have gone off-site immediately put in water lines. I can think of up at the Twin City Arsenal in Minnesota we did something similar to run water supply to people so that they would not have to use contaminated wells.

But there are a lot of grey areas. We are talking about underground pollution, sources of that pollution are sometimes unclear, and we are responsible as managers in the Government to make sure that the Federal dollars are being spent to handle Federal problems. So when we get into these grey areas, there is more scientific investigation. There is more delay. And sometimes there is litigation in order to sift this out.

Senator **Wilson**. My time has expired, the chairman has been patient, so let me just ask this final question and Colonel let me take your response for the record. I would be delighted to have it. In fact, I very definitely want it. But again, I come back to this situation which you termed grey area.

ENVIRONMENTAL PROTECTION AGENCY (EPA)

What communication has there been with EPA specifically to try to resolve these factual questions in a manner that will fix responsibility and accelerate the process of doing so?

Mr. **Parker**. We are working in all levels within DOD and at EPA to deal with these problems. And we have been getting better at this over the last year because we do push everyone out in the field to start escalating problems to Washington so they can be resolved between headquarters of Army, Navy, Air Force, and EPA, or my office, and EPA, so that we very often are involved here in Washington with problems in California, Washington, and wherever, in trying to deal with and get solutions as quickly as possible. And there, EPA is responsive to us through their Hazardous Waste Office, in trying to work through these problems. Trying to work with their regions to find out what the problems are. In some instances, they are overriding their field people and in some instances we are overriding ours. In order to try to come to a workable accommodation where we can move to actually moving dirt and pumping water.

Colonel **Termaath**. If I may add some things here. Some precepts that we are still following come back to some of the early agreements that we have worked out with EPA and the Department of Defense. And I think it was an agreement that has lapsed, but basically we are still operating under those premises. The first agreement between the Department of Defense and EPA laid out who takes what responsibility and action for those off-site and off-installation things. And, I believe, basically that still follows today.

If there is agreement upon the source of contamination that, whoever is the source, takes that response. If it is the Department of Defense, we do it. It is those cases where there was an impasse, for example. There is still the room the maneuver by any one of the agencies going forth and doing some response action and that does not remove our liability or the other agency does not take on liability by performing that response action. As they perform that response and it is determined with certainty the source, then it becomes the responsibility of that agency or if it is the private sector or whoever to complete and finish up and reimburse for that activity. And I think now it is kind of looked on a case by case basis. What is the best way to get what is done for the protection of the health and the environment.

And I think, for example, at McClellan, we had an area that was there was an impasse over whether McClellan caused it or some other party. Well, we kind of took a very practical approach on that and there was one area, for example, that it was going to be flat out more cost effective for us to just give a water supply as we sorted out the other issue, because the cost of doing the health protection for those people in terms of the frequency of the monitoring was going to be more costly than if we put in the water supply and then go about solving the problem later.

So we try to get on to the practical matters of the thing and not point a lot of fingers and get on with what needs to be done.

POLLUTION CAUSER

Senator WILSON. Mr. Chairman, if I might have your indulgence for one final question. Because this really seems to be the crux of it. What happens where you find that the pollution that has been caused, was caused in part by a military installation but in more significant or insignificant part also by a private, a civilian activity, and the civilian activity that caused the problem is no longer available to be a responsible agent or they are broke or they can not, in short, they simply are not able to contribute to the solution.

What happens then? Whose responsibility is it?

Mr. PARKER. Are you talking about pollution on one of our facilities or pollution off site?

Senator WILSON. Off site.

Mr. PARKER. Off site.

Senator WILSON. On site, as far as I understand, you do not have any——

Mr. PARKER. If it were off site pollution, as is the case at the Twin City Arsenal, we are a PRP—Potentially Responsible Party. We participate in the clean up costs. And EPA and EPA's contractors are actually in doing clean up, and the EPA is paying for this. And of course they are assessing the various polluters and if one of those polluters is no longer in business, then that portion of the cost is something that is covered under the Superfund.

Senator WILSON. Covered what?

Mr. PARKER. Under the Superfund.

Senator WILSON. Thank you very much Mr. Chairman.

Senator WIRTH. Thank you very much Senator Wilson. Let me go back if I might, to the graphs and the fact that we just do not have enough money. Let us assume that you have the amount of money that is under the dotted line to clean up Rocky Mountain Arsenal. I think there are two NPL sites in California and that process goes on first before anything else gets down. Worst first, is that right?

Mr. PARKER. Yes.

Senator WIRTH. Does that mean that all of the other Federal facilities do not get anything done until these NPL sites get done?

Mr. PARKER. No, no it does not.

Senator WIRTH. Is that what worst first means?

Mr. PARKER. No, no it does not. What is happening is that we are doing a number of studies at this time. I do not recall the exact number but I am going to say we did several hundred studies last year concurrently with the clean up on these sites. See, any given site because of the requirements of the law, and the number of things that have to be done and the public participation, a pool of work products in all this, very convoluted program, and the cash flow for any given site is probably spread out over a period of anywhere from a minimum of say 5 years to a maximum of 10 to 15 years.

Senator WIRTH. That does not show up in this curve.

Mr. **Parker**. What this curve is is the best estimate that could be made by the Department of all the incremental sites that we have and the types of treatments and therefore the duration of these programs, and then this is a cumulative curve that has been built up from that. And also it is assuming certain start times for projects and therefore it is a building of those costs.

FENCING CLOSED-DOWN BASES

Senator **Wirth**. Given the budget figures, is it true that as bases get closed down, the chances are that those bases are just going to have a fence put around them and be shut down. They are not going to be cleaned up in the foreseeable future. That is a general proposition that is true is it not?

Mr. **Parker**. No, I do not think so. I think that it will happen in some instances in the area that is contaminated in that it will not be ready to access——

Senator **Wirth**. But if we are into worst-first, and we do not have enough money to do the job as defined here, how is there going to be money to do the less worst-second?

Mr. **Parker**. But it is not all a question of money, Senator. A lot of it is a question of time to actually do the job under the requirements of law. We cannot move faster than the law allows us to do it.

Senator **Wirth**. I understand that. But the point is that people up here have the assumption that those bases are going to be made available for nonmilitary use—maybe as parks, maybe for local government, maybe for local economic development. And, in fact, the chances of that happening are going to be pretty slim, are they not?

Mr. **Parker**. No, again, I do not think so. I would like to take one case. For the technical part, hopefully Colonel Termaath can jump in and add some facts and maybe correct me if I am wrong. But Pease Air Force Base is in my backyard. The people in New Hampshire are very excited about the possibility of Pease becoming available for commercial use.

Now, I do not see any reason why that Air Force base cannot be turned over within a 6-year period for use. However, there are some sites on that installation that do have to be cleaned up, and whether or not those sites will be cleaned up in that 6-year period, I do not know.

Maybe Colonel Termaath can tell you whether they will be or not. But certainly those sites can be isolated, and a cleanup can continue—and I underline "continue"—until the job is done, and it is certified that the cleanup is complete.

And so there you have one example where that land can be used and where expectations can be met. I think on the question of Jefferson, the answer is the other way around. In all probability, if that is not used for a National Guard range, then probably it will take longer than 6 years to be able to access any of that property.

UNKNOWN DUMPINGS AT MANY BASES

Senator **Wirth**. In some places we are going to have some very significant problems, like a lot of these Army depots where nobody really knows what is there, and very basic searches have to be done like in Pueblo. Is that not right, Colonel?

Colonel McAlear. Yes, sir.

Senator Wirth. As I understand it, we do not have records in Pueblo, for example, as to what was dumped where. The depot is going out and talking to a lot of the old-timers who worked out there and saying hey, what did you guys dump in October 1957; did you dump some stuff here or there? I mean, it is a very extensive problem.

Mr. Parker. We have instances like this going back to World War II where they were temporary bases for the war.

Senator Wirth. I understand.

Colonel McAlear. That is part of the preliminary assessment site investigation procedure, though, is to do exactly that, talk to the old folks.

Senator Wirth. I understand that, I think we have to do that obviously and get it done. But I will bet you that when you start to look at your dotted line here it is going to be very conservative once you do a lot of these assessments, Colonel.

I mean I have never seen any kind of a group estimating potential problems where they did not estimate on a conservative side rather than a higher side. You know, I have just been around long enough just to think that probably the line is——

Mr. Parker. That is why we have two currents. It is supposed to be best case/worst case.

Senator Wirth. I hope you are right, Mr. Parker.

FENCING BASES

Colonel Termaath. If I could add with regard to the problem of putting fences around bases, and leaving them, and not being able to clean them up, to get away from the dotted line and maybe get to the bottom line, is that there is only a finite amount of work that can be done even at an NPL site in a given year, and only a finite number of dollars that we can execute. And when you look at what could be done at an NPL site, add up all the DOD or all the Air Force sites, that only takes up a portion of the budget. Therefore, as you prioritize things—maybe all the NPL sites are at the top—there is still a significant dollar value.

In the case of the Air Force, our NPL sites are consuming about 50 percent of our dollars this year, and the other 50 percent is going to those not on the NPL, and again, under that priority system of being able to do the work that is both doable, executable. And, frankly, when you get into wells and you start coordinating those with regulatory agencies, there is a lot of coordination and things sometimes going on and not much money being spent.

Senator Wirth. We are still going to have a dollar problem down the line, even if all of what you suggest, Mr. Parker, works. And what you are suggesting, Colonel, still has got some very significant dollar problems. We cannot get from here to there with your budget and the needs as defined here, right?

Mr. Parker. That is correct. I was trying to look at the perception of the base closure ones, and right now they fit into that priority scheme of getting done——

Senator WIRTH. That is a fair point, and I appreciate it.

Mr. PARKER. And that is exactly why we have gone with the worst-first priority, because we have always recognized that there would be more work to be done then there would be money.

Senator WIRTH. Okay. Well, what happens if worst-first gets turned on its head? As you know, there is a House subcommittee that has passed legislation that, as I understand it, amends RCRA by waiving the sovereign immunity that the Federal Government currently enjoys.

It seems to me that were that to become law then we would not be governed by any kind of a worst-first approach, but instead we would be governed by who had the most aggressive attorney, and who had the best press officer, and who had the best lobby group to get their priority at the top. Theirs might be the least-worst, but they get to the top of the list because they make the most noise, or they have got the most constituents around, or something like that.

Is that a realistic expectation if this legislation were passed?

Mr. PARKER. It is a very serious concern on our part. We voiced this in testimony both before HASC and Energy and Commerce a few weeks ago, and what we pointed to is the most onerous part of this bill, is that because the RCRA legislation has requirements in there for permitting, that, in fact, using the permitting process the States could come in and tell us in order to get a permit, in order for us to operate our facilities, that we need to do certain things, including a master plan to clean up sites, which would normally be cleaned up under Superfund.

If we had to clean up these sites in order to get our RCRA permits, then we would have to follow RCRA procedures, which again could be costly, because of the fact that RCRA has no provision in it as part of the alternative selection to look at cost effectiveness. And also, there is nothing in there relative to time schedules in worst-first, and therefore, we could be attacking the O&M account for RCRA money for a lot of these cleanups that should be done under DERA and probably would be done at a future date, not now. So, therefore, we could not project in any way from year to year what our costs for cleanup would be.

Senator WIRTH. I am for cleaning up, but it seems to me that we have got to figure out some kind of a process that is somewhat orderly for the purposes of getting this done.

Mr. PARKER. Well, we mentioned in our testimony that not only are we dealing with, under the Superfund, half a billion dollars a year for cleanup, but then we have shown in the handouts all of the other costs that we are bearing for various other environmental actions, including RCRA. And we are talking over another half a billion dollars a year now.

Legislation is getting tighter. Demands of the public to clean up are getting louder. And we are faced not only with demands for additional money under Superfund, under the DERA, but also being pushed harder on the RCRA.

Senator WIRTH. It seems to me the logical answer to this is not to let the process unwind but to accelerate the process. And by that I mean really funding the process to the point that we do not go over the amounts that the Colonel is suggesting are needed.

Mr. **Parker**. I think we have got to look at our total environmental costs, not just one media, and look at it as an entire problem, an entire expense, an entire obligation to meet the law.

Senator **Wirth**. But if you do not come in and meet that cost factor, it seems to me that that is going to increase the pressure for people to say well, Uncle Sam is not going to clean it up, or the Department or the Pentagon is not going to clean it up, and so we are going to pass this legislation and let our lawyers come in and sue. I can understand that kind of a political response, and so can you, I think.

Mr. **Parker**. The bottom line becomes how much can we afford to spend overall on environmental issues in any given year.

Senator **Wirth**. Well, that is not a decision that you all make, right? What you have got to do is give us—and that was the purpose of my question earlier as to how much money is necessary—is a sense not of what you think OMB would like to hear but what has to be done. We are going to deal with this tradeoff between this great pressure, which I can see out there, for taking away Uncle's sovereign immunity on this and getting the job done.

There is going to be a lot of frustration building up from the public. I am not telling you anything you do not know. Where do you make a deal to get this sort of thing worked out? And it seems to me the way to do that is for the Defense Department to be a bit more forthcoming in terms of, the real numbers we are thinking about, this is what has to be done; and we are doing the best we can. We, as Colonel Termaath was saying, cannot spend any more money. We are maxing out here.

I would have a difficult time arguing, one, that you were doing everything that you ought to be doing, and second, that you ought to, however, maintain your immunity to lawsuits and not be treated like any other polluter.

CLEAN AIR ACT

Mr. **Parker**. We can assure you that we are looking at these costs, number one. Number two, you have to understand that there are more pieces of legislation coming down the road. For instance, presumably there will be a new Clean Air Act amendment this year, and that will have some cost impact to us. There is talk about RCRA re-authorization this year, and if not this year, next year, which also will have some significant cost. And it seems like almost every year we are getting more, so that it is almost beyond our ability to keep up with what these costs are.

Senator **Wirth**. I understand. And that is very real. These problems are mounting up and getting worse and worse and worse. And one of the points that I continue to make, Mr. Parker, is that there is going to be no great Gorbachev dividend or no great peace dividend out of this. To get us down from the commitments we have made to the amount of money available is going to be an enormous task. And the amount of money available has to meet all kinds of other requirements. Another is the extraordinary expense of the cleanup and relocation of the nuclear weapons complex estimated last fall as being about $200 billion over the next 20 years. In Everett Dirksen's terms that is real money. You know, we are talking about some real dollars in that.

And we all have to come to understand that there are these extraordinary requirements, and we cannot undertake a whole lot of new commitments in terms of weapons systems and so on, unless we are going to be willing to pay the tab. We cannot sweep these issues under the rug any more. The American public is not going to allow it, and a symptom of that is this legislation coming down the line, H.R. 1056.

Mr. PARKER. Mr. Ray of the HASC understands this also.

Senator WIRTH. He is very good, yes.

Mr. PARKER. One of the amendments that he is putting in this year is for us to put together a master plan to look at all of these elements and require us to do just what you are suggesting, Senator.

Now, we are trying to work in the hazardous waste area, as I indicated, in coming to an accommodation by using the IAGs and using the Defense-State memoranda of agreement to begin to work towards, I hope, a longterm partnership between the States, and the EPA, and the Department on these programs. And I think this is the first step in our giving credibility to the environmental community that we really mean it when we say we are going to go out and do the right thing.

LACK OF RESEARCH FUNDS

Senator WIRTH. Let me give you another shot at that, okay? Last month, General Wagner, the Commander of the Army Materiel Command, complained to the subcommittee about the lack of research funds to develop alternate technologies to the open burning and open detonation of excess, outdated munitions.

Now, do you know of any research efforts that are underway at DOD to develop alternative technologies for demilitarization and destruction of outmoded military weapons, missiles, and so on?

Mr. PARKER. I know that there is R&D effort in the Department, and I think as far as the particulars, perhaps Colonel McAlear could give you a little bit more information on this.

Colonel MCALEAR. Yes, sir. There is some research effort ongoing with the ammunition school at Savannah, IL, the ammunition school there. The folks down at Huntsville are also involved in some research as well and various techniques. We have looked into some efforts that the Air Force has also done at Arnold Air Force base, I believe in Tennessee, in looking at some alternative techniques other than the open burn, open pit burn, and the static fire modes.

PERSHINGS AT PUEBLO

Senator WIRTH. I am particularly interested in this area in Pueblo. Pueblo are destroying about half the Pershings, as you know, and they are all open pit firing, burning of them, if that is the proper technology.

Colonel MCALEAR. They are static-fired.

Senator WIRTH. Static-fired.

Colonel MCALEAR. Yes, sir.

Senator WIRTH. That community has, after a lot of discussion, responded well. It seems to me, looking down the line that we are going to see, I suspect, a number of ICBMs and a number of other missiles coming back to the United States. If, in fact, we get into a builddown rather than a buildup of weapons systems, we are going to have a lot of systems out there that are outmoded. And what do we do with them, and how do we treat them in as benign a way as possible to get rid of them?

In talking with the Army people out there, they were very encouraging that we were kicking around the possibility of developing a closed system for this sort of burning and really developing a major commitment or facility. This is something we are going to be doing for some time.

Now, do I understand from your answer that some of that research is going on in Huntsville on that kind of a problem?

Colonel MCALEAR. Yes, sir. You can understand from my answer that is true that there is research going on. Now, as to the specifics that you were discussing, I am not sure if that specific technique is——

Senator WIRTH. Let us just do this. Let us go back. Maybe we could ask you to get back to us with what is going on in terms of research into systems as alternatives to open detonation or open burning; and second, is there anything going on, and should there be, to look at perhaps some kind of a closed system for missile destruction.

It is always difficult, I know, for a military operation to think about taking down rather than building up. It is like saying to politicians, do what you can to get rid of votes rather than to get votes. It does not work quite right. But what we have got to do is to encourage you to do that.

Colonel MCALEAR. Yes, sir. I understand that—I believe his name is Mr. Bill Smith of your staff—wants to talk to us with regard to——

Senator WIRTH. Right. And you can also tell us how much is being spent.

Colonel MCALEAR. Right. And what we would like to also tell you is how much we need to have, too.

Senator WIRTH. What should we be doing? It seems to me we are going to be in this position and we might as well anticipate it now. We are going to be taking a lot of this stuff down, and we ought to have probably a better way of doing that.

That is going to help your problems down the line, Mr. Parker. If we are doing this right today, that is going to add fewer problems in 1999 or the year 2000, I would guess.

Mr. PARKER. Absolutely.

Senator WIRTH. So we are going to save the taxpayer money, right? You have heard that before, too, have you not, Mr. McAlear?

Colonel MCALEAR. Yes, sir.

CLEANING UP HAZARDOUS WASTE SITES

Senator WIRTH. Let me ask you, if I might, a final question, and that relates to a statement in your testimony from the Air Force and a statement from the Air Force Audit Agency. And you state in your statement, Colonel Termaath, that "We are proud of the progress we have made in cleaning up hazardous waste sites and addressing other environmental issues." That is in your summary on the final page.

Just the opposite came to us from the Air Force Audit Agency. They said, in late March, "Planning for the minimization of hazardous waste generation had not been effective. Twelve of 13 bases had not developed a hazardous waste minimization plan, although all 13 sites certified that they had a minimization plan."

The question is, how do you reconcile the quite glowing and positive summary that you give in your testimony and the pretty tough statement made by the Air Force Audit Agency?

Colonel **Termaath**. Okay. First of all——

Senator **Wirth**. Fortunately, the bells are going to save you, because I have to go over and vote. So why do you not give us a 2-minute answer, and then we are going to quit.

Colonel **Termaath**. I think I can do that.

Senator **Wirth**. You are lucky.

Colonel **Termaath** Basically, the Audit Agency did perform that at the request of our office. I recognize that I am in a new office now, but I was Mr. Vest's assistant for environmental quality. So we put that request in to the Audit Agency and asked them to perform that audit. They performed that audit in the summer of 1987, and we got preliminary results in verbal briefings to Mr. Vest; and I will say that that became the impetus for some programs that we had already started; for example, our environmental compliance and assessment management program, some of the other emphasis items that we are pursuing. And those are going into effect and going into place, and have received by the Air Force leadership acceptance, in part by the impetus of that Audit Agency report.

So while the report is coming out now, the findings and the things like that that we are going to became, I say, the push or the shove to get some things that were already moving along and underway going. So I think I can still stand behind my statement.

Senator **Wirth**. If you had given your statement a year ago, it would not have said this, but you can say it now; is that the summary on that?

Colonel **Termaath**. I may not have been as strong at that time. I think we are still proud of our record.

Senator **Wirth**. I know you guys have a terribly complicated job and one of the most thankless tasks around. But unfortunately, it is the kind of thing that has to be done, and I have terrific respect for you all for taking it on with the obvious kind of commitment and care that you are showing. It is the worst kind of thing to do. It is no fun all all. You are not building something new and going ahead; you are cleaning up the past. But we have to do it.

Mr. **Parker**. It is our bread and butter.

Senator **Wirth**. It is your bread and butter, and I understand that.

Mr. Parker, thank you very much. We appreciate it.

Ms. Stehle, I am sorry we did not get a chance to get you into this. Mr. Rietman, and to the two colonels, thank you all for your good professionalism.

We will hear back from you, Colonel McAlear, I think, on that question related to what we are doing in terms of alternative approaches.

And, Mr. Parker, you are going to get back to us with some numbers, is that not right?

Mr. PARKER. Yes.

Senator WIRTH. Thank you all very much. Have a good afternoon.

[Questions for the record with answers supplied follow:]

QUESTIONS SUBMITTED BY SENATOR ALAN DIXON

CLEANUP TECHNOLOGY

Senator DIXON. Mr. Parker, your Annual Report indicates that you have completed Remedial Investigations/Feasibility Studies at 1,485 DOD sites.

What is the average cost of completing these studies at a contaminated site?

Mr. PARKER. Using fiscal years 1986–88 data from our management information system, the cost per RI/FS (based upon 1485 completions is $332K.

Senator DIXON. Mr. Parker, can you conclude from these studies that the technology exists today to clean up these sites in a timely and cost-effective manner?

What are you doing to insure that the best and most cost-effective technology will be applied to these cleanups?

Mr. PARKER. I believe that technology exists to clean up our contaminated sites. The cost-effective issue is difficult to answer precisely because it usually relates to the level of cleanup to be attained and that is determined by public and regulatory concern as well as available technology.

JOLIET ARMY AMMUNITION PLANT

Senator DIXON. Mr. Parker, your Annual Report to Congress for Fiscal Year 1988 on the Defense Environmental Restoration Program states that "An Interagency Agreement between the Army, EPA and the State of Illinois is being negotiated and is expected to be signed by June, 1989."

Can you tell us this afternoon whether this agreement has been signed, or when it will be signed?

Mr. PARKER. The Joliet AAP IAG was signed June 6, 1989.

JOLIET ESTIMATED CLEANUP COSTS

Senator DIXON. Colonel McAlear, can you give us the current schedule and total estimated cleanup costs at the Joliet Army Ammunition Plant?

Colonel MCALEAR. To date, the Army has spent a total of $5.1 million. This has funded the Preliminary Assessment/Site Investigation, Red Water Lagoon Cleanup, and the initiation of the Remedial Investigation at the manufacturing area of Joliet Army Ammunition Plant. The projected cost to complete the Installation Restoration Program is an additional $32 million for a total of $37.1 million. The cleanup schedule is now being worked out by the signatories to the Interagency Agreement. The projected schedule will probably be as follows:

Complete RI in manufacturing area—July 1990.
Complete FS in manufacturing area—June 1991.
Complete RI in Load, Assemble and Area Park—Aug. 1991.
Complete FS in Load, Assemble and Area Park—July 1992.
Complete Record of Decision—June 1993.
Complete Remedial Design—June 1994.
Complete Remedial Action—June 1995.
Perform monitoring operations—up to 30 years.

Senator DIXON. Colonel McAlear, DOD's Annual Report indicates that "Additional RD/RA [Remedial Design/Remedial Action] activities are expected to be initiated in 1990" at Joliet Army Ammunition Plant. Can you tell us what specific environmental restoration activities are planned at Joliet in 1990?

Colonel MCALEAR. The RI/FS work in the manufacturing area will continue in fiscal year 1990 and RI/FS work will be initiated at the Load, Assemble and Park Area in 1990. No actual RD/RA work is contemplated now at Joliet in fiscal year 1990.

Senator DIXON. Colonel McAlear, I understand that the Army is currently not producing any TNT at its manufacturing facilities because it does not have the process technology to economically treat the red water generated in the production process. Where are we getting the TNT to meet our current requirements?

Colonel MCALEAR. At the present time, the United States obtains TNT from Canada. The TNT is then stored and used as needed at the Load, Assemble and Park facilities.

Senator DIXON. Is anything being done to develop the needed technology so that we can produce TNT and treat the red water in an environmentally sound and economical manner?

Colonel MCALEAR. The U.S. Army Toxic and Hazardous Materials Agency (USATHAMA) is presently evaluating potential alternatives for red water treatment with regard to the cost and performance criteria that the ultimate technology would have to meet. Thirty-one candidate alternatives were initially considered. A preliminary screening resulted in the elimination of 15 candidate technologies. Exploratory development of the best alternative(s) is being conducted as part of the USATHAMA Environmental Research and Development Programs. A decision on selection of the best alternative for development is projected in January 1990.

Senator DIXON. Colonel McAlear, I am pleased by the imminent Interagency Agreement on the cleanup of Joliet Army Ammunition Plant, but I wonder why a similar agreement can't be reached at Savanna Army Depot. The Illinois EPA submitted a proposal over a year ago to incinerate the contamination at Savanna, but the State has not yet received a response from DOD. When will the Army or DOD respond to the State's proposal?

Colonel MCALEAR. The Illinois EPA did propose an agreement to incinerate the explosively contaminated soils under waivers granted Illinois by Section 118(i) of the Superfund Amendment and Reauthorization Act (SARA) at Savanna. The Army's review of the proposed Memorandum of Agreement raised questions of ultimate authority between the State and EPA should dispute arise. The matter became moot once Savanna ADA was about to become listed on the National Priorities List. During meetings held in 2Q 1989 involving representatives of the State, EPA, National EPA and the Army, all parties agreed that a SARA 188(i) Agreement was inappropriate for Savanna and that a Comprehensive Environmental Response Compensation Liability Act 120 Interagency Agreement with incineration as a separate "Operable Unit" would be pursued. Initial negotiation sessions have been held and it is anticipated that the Interagency Agreement will be modeled after the Joliet Agreement and be complete in 4Q 1989.

QUESTIONS SUBMITTED BY SENATOR SLADE GORTON

SAVANNAH ARMY DEPOT

Senator GORTON. Mr. Parker, in the pages of your statement for the record, you give the impression that there are a number of overlaps and cloudy areas in the laws relating to environmental requirements. These problems appear to cause delays and increased costs.

Would you favor corrective legislation, with the risks of maybe creating more problems, or would you prefer to work out interagency/Government agreements and let the courts decide the issues?

Mr. PARKER. At this time, I prefer that we work out the issue via agreements.

Senator GORTON. Mr. Parker, on pages 6–7 of your statement for the record, you discuss the transition that the environmental programs are in at the Pentagon. You feel the new phase of corrective actions and cleanups will be more expensive than previous efforts and it will be beyond the current funding projections, which are essentially level. From the budget request, the DOD is not of a mind to increase funding and has chosen the "worst-first" priority system.

Has this policy been adopted by the administration or is it a DOD policy?

Has this policy been tested in any of the agreements that DOD has negotiated?

Mr. PARKER. It is both and frankly, just good management of limited resources that the worst sites be cleaned up first. We are focusing our IAG efforts on our worst sites; however, I don't feel that we have been really tested yet.

Senator GORTON. Mr. Parker, on pages 6–7 of your statement for the record, you state the costs for DOD responsible cleanups could go as high as $10–15 billion and take 15 to 20 years to complete. I assume this is based on years of level funding near the current amounts. It may be hard for the public to accept this time delay for completion.

What would be the possible impacts of increased funding for the cleanup efforts? (What would be the military impacts and the possible impacts on the legal negotiations?)

Mr. **Parker**. Increased funding does appear necessary to meet statutory requirements at this time. In addition, there are limitations as to how much money can be spent effectively in a given year. It should also be noted that the implementation of many remedies just require long time frames—such as ground water pump and treatment systems. Since the DOD top line is decreasing and the cost of cleanup is increasing as we progress from the study phase to the more costly cleanup, one can expect the increase to come at the expense of other defense accounts. Military impacts will be mitigated to prevent loss of war fighting capabilities whenever possible.

Senator **Gorton**. Mr. Parker, in your statement for the record, you indicate that if a base is slated for closure and has an environmental cleanup required, that the funding will come from the restoration fund if it is ranked "worst-first". If it is not, then the base closure funds should pay for cleanup. We do not get the feeling that the Base Closure Commission or the requested funds have funds for cleanup included. The Commission has made it clear that their savings and costs do not include cleanup costs.

Since both sides of this issue are within the DOD, can we expect the DOD to straighten out the confusion and request the funds in one of the two accounts?

Does the DOD have a commitment that you know of to make the base closure savings projections to "come true" and would therefore be reluctant to request Base Closure funding for cleanup cost?

Mr. **Parker**. The Base Closure and DERA are not the only accounts that can be used. However, as you point out, we must account for the funding somewhere—and we will. The Base Closure cost savings do not include environmental cleanup costs since these costs must come from DOD funds regardless of whether or not a base is closed. I testified to this issue before the Base Closure Commission and still believe it is the correct approach.

Senator **Gorton**. Ms. Stehle, in your statement for the record on the second page, you discuss Navy facilities which are on the Base Closure List which require "environmental remediation." One of these is in my home state of Washington, at the Naval Station Puget Sound. You state the costs are to be approximately $550 thousand and can be completed by fiscal year 1995.

Could you give me an up-to-date status of the agreements between the interested parties and in what year(s) do you intend to request funds for this cleanup?

Do you believe this will be a "worst-first", Defense Environmental Restoration Account (DERA) charge or a Base Closure Account responsibility?

Ms. **Stehle**. At the Naval Station Puget Sound, the Navy completed a preliminary assessment (PA) in March 1988. The PA identified a stained area behind one of the buildings that warranted further investigation. The site inspection (SI) where we take actual samples, is expected to be completed this fall. At that time, we will determine if additional investigation or a cleanup is required. This is not an NPL site and therefore an agreement between the EPA, Washington Department of Ecology and the Navy is not anticipated. Our initial reading is that the site will only need a small amount of remediation and will become a low priority within the DOD concept of "worst-first." Under DERA, it could be several years until funds are available for cleanup. It may be more appropriate to use Base Closure Account funds to clean up the site once the extent of contamination is known.

[Additional prepared statements submitted for the hearing record follow:]

NATIONAL GUARD ASSOCIATION OF THE UNITED STATES

ONE MASSACHUSETTS AVENUE, NORTHWEST • WASHINGTON, D.C., 20001 • (202) 789-0031

18 May 1989

The Honorable Alan J. Dixon
Chairman, Readiness, Sustainability
and Support Subcommittee
Committee on Armed Services
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

Earlier this year the National Guard Association of the United States requested an opportunity to appear before the Readiness, Sustainability and Support Subcommittee in support of programs to improve the readiness of the Army and Air National Guard. As a result of this request, you offered us an opportunity to submit a witness statement for the record.

The attached statement reflects the issues and concerns of this Association. It is our belief that this nation must protect the gains made by the Total Force in the last decade.

We want to thank you and the members and staff of the committee for your efforts on behalf of the National Guard and Reserve.

Sincerely,

Charles G. Schreiber

CHARLES G. SCHREIBER
Colonel, USAF (Ret.)
Director, Legislative Activities

STATEMENT BY
LIEUTENANT GENERAL LAVERN E. WEBER
EXECUTIVE DIRECTOR
# of the
NATIONAL GUARD ASSOCIATION OF THE UNITED STATES

INTRODUCTION

Strengthening conventional defense came to the forefront of the national security debate in 1988 for the first time in many years. Such events as the INF treaty and debate over the Strategic Defense Initiative (SDI) have increased the attention being paid to providing a ready conventional force. Although there are several opinions about the readiness and sustainability of NATO and other allied forces, few dispute the growing necessity to ensure that our conventional forces are sufficient and ready as a deterrent during a period of strategic offensive and nuclear force reduction now and in the future.

While debate continues on the current capability of NATO forces, a decision to strengthen our conventional forces has become more difficult as political pressure to reduce the budget deficit grows stronger. The nation is quickly approaching a point where much of the recent progress in improving the quality and effectiveness of our defense forces may be eroded. Four years of defense budget reductions, in real dollar terms, show the direction we are heading.

Few changes have been made in recent years in the size of the Total Army and Total Air Force -- that is in the number of warfighting units. The majority of the recent defense effort has been directed toward improving the quality of personnel; developing, procuring and modernizing equipment; and enhancing the effectiveness of training. This has paid off in significant improvements in combat readiness. However, manpower shortages and substantial equipment shortages remain.

We are concerned that current actions being taken to reduce the budget deficit will not only fail to meet the increased need to bolster our conventional forces but also could lead to a reduction in those forces at the same time our nuclear forces are being cut. Less than fully capable conventional forces can be a disaster in the event of a drawdown in nuclear forces.

THE ROLE OF THE NATIONAL GUARD

The role of the National Guard has expanded significantly since introduction of the Total Force Concept in the early 1970s. While the National Guard remains the primary early mobilization force in the event of a national emergency, it also has grown to be a critical segment of our nations' conventional warfighting forces needed in any limited or regional conflict. Even limited engagements will require involvement of the National Guard at a very early stage.

Many elements of the Army and Air National Guard are tasked in contingency plans for use within 72 hours of the start of a conflict. National Guard units are tasked in all major theater wartime scenarios throughout the world. The National Guard provides forward defense and early deploying units with missions that range from early commitment in combat to sustaining theater combat, combat support and combat service support forces.

Army National Guard forces include armor, infantry and artillery forces and aviation units with attack, lift and support missions. The Army National Guard also contributes significant signal, maintenance, transportation and other theater support forces.

The Air National Guard provides alert forces for CONUS air defense and strategic tanker support, as well as providing early deploying tactical fighter, tactical reconnaissance and tactical and strategic airlift forces. It also provides a significant portion of the Total Air Force combat communications, engineering and weapons control capability.

The contribution of the National Guard to the nation's conventional forces is measured in terms of immediate response to contingencies and early deployment in the event of mobilization. With these missions the National Guard can no longer be considered a force in reserve unavailable until well after the start of a conflict.

STATUS OF THE GUARD

With its expanding role, the National Guard must attain and maintain a high level of mission readiness. Units with insufficient manpower, aging equipment, or less than fully trained or maintained forces will be less effective in performing their mission. The primary goal of the National Guard Association of the United States is to ensure that the National Guard portion of the total conventional force is, in fact, capable and ready. Therefore, we intend to concentrate our efforts toward the allocation of the manpower, equipment, training and facilities needed to accomplish wartime missions. In addition, we will continue to address improvement in personnel benefits, and entitlements especially in the areas of education and survivor benefits.

The increased level of mission and training activities, which have developed as a result of the expanding role of the National Guard, have generated growing manpower requirements in both drill strength and full-time support manning. However, the units and missions assigned to the Army and Air National Guard during the past several years have not received the full-time manpower spaces, senior officer and enlisted grade ceilings or funding necessary to fill the programmed requirement.

Effective recruiting and retention of quality personnel are necessary to attain the required manpower levels. Equitable treatment of personnel and family issues, such as educational assistance and survivor benefits, are critical to achieving that goal.

Equipment shortages continue to degrade mission readiness. Although modernization continues, significant shortages remain. It is essential that National Guard requirements be included with those of the active services early in the program cycle in order to provide for concurrent procurement of equipment for the Total Force. That would assure the National Guard's continuing ability to meet readiness requirements. In the interim, research and development and modification programs must be continued by the services to ensure that the older equipment in the National Guard is maintained, and upgraded where necessary to a combat effective level, until it can be replaced by new equipment coming into the Total Force inventory.

Effective training is also a critical element in providing a ready National Guard. This requires resources for formal individual and unit training, schools, exercises, deployments, day-to-day operations and adequate ranges and training facilities. Recent budget cuts have begun to erode the resources available for readiness training. If current and future budget cuts result in a further reduction of training resources, they will have an immediate adverse impact on National Guard readiness.

Many of the current National Guard facilities which are used for administration, maintenance, storage and training require major renovation or replacement. The backlog of construction projects continues to grow each year. Allowing further deterioration of existing facilities will have an adverse impact on mission and support activities.

FORCE MIX

Recent worldwide events have caused new demands for reviews of burden sharing with our NATO allies, forward deployment of our forces, the mix of active and Guard/Reserve forces and even the need to maintain a high level of readiness of the Total Force in the near term. Indeed, most Administration and congressional leaders have recently indicated it may be desirable to move more units and missions into the Guard and Reserve because of budget constraints and possible force realignment. In view of these concerns, it would not appear prudent to make any reduction in Guard and Reserve forces at this time.

While assessment of the threat and determination of optimum defense forces to counter the threat is the responsibility of our nation's leaders, the National Guard Association will continue to identify and seek the resources needed by the Army and Air National Guard to fully meet assigned mission requirements.

MANPOWER REQUIREMENTS

Probably the most important element in producing combat ready National Guard units is the ability to recruit and retain the required numbers of quality personnel. While the National Guard has been able to meet its approved manpower goals in recent years, increased reliance on the Guard has placed even greater demands on recruiting and retention to meet both the full-time support and total Selected Reserve strength requirements.

At the end of FY 1988, the Army National Guard had attained a total strength level of 455,182, including 25,659 full-time Active Guard/Reserve (AGR) members and 28,385 military technicians. The Air National Guard ended FY 1988 with a strength level of 115,221, including 7,709 AGR members and 23,409 technicians. In FY 1989, the Army Guard is programmed to grow to a total strength level of 457,300, with 25,914 AGR members and 28,120 military technicians. The Air Guard figures are 114,975 total strength, with 7,948 AGR and 23,644 technicians. Although both the ARNG and the ANG have existing backlogs of unfunded full-time manpower requirements of approximately 20,000 and 3,000 respectively, the amended FY 1990 budget contains growth of only 587 in the Army National Guard and 837 in the Air Guard.

The increased level of training and mission activities, which have developed as a result of the application of the Total Force Policy over the past fifteen years, have generated growing manpower requirements in both total drill strength and in the area of full-time support.

If a unit is to make maximum utilization of its limited training time, full-time personnel must be available to plan for, support and participate in unit training sessions and exercises. These personnel perform the day-to-day functions which must be accomplished if a unit is to be effectively trained during peacetime, i.e., personnel administration, supply accounting, equipment maintenance, and management and assistance in daily operations. Full-time personnel are a basic element in producing readiness in Guard units.

The Army and Air National Guard have a mix of military technician and AGR personnel filling full-time support needs. The following table reflects the shortage of full-time personnel that will exist at the end of FY 1990 and FY 1991.

FULL-TIME SUPPORT	ARNG		ANG	
	FY90	FY91	FY90	FY91
DoD Validated Requirement	74,974	76,203	35,398	35,400
Authorized Mil Technicians	28,457	28,607	23,912	23,935
Authorized AGR Members	26,164	26,514	8,517	8,468
Shortage	20,353	21,082	2,969	2,997

The units and missions given to both the Army and Air National Guard during the past several years have not been fully resourced with either drilling members or full-time support manpower. In addition, the higher level of peacetime training and operational activity has resulted in a requirement for more full-time personnel, especially in the Army National Guard. The significant shortages will therefore be carried forward into FY 1992 unless corrective action is taken.

In recent annual reports to Congress, the DoD Reserve Forces Policy Board (RFPB) has stated that the readiness and mobilization capabilities in all of the reserve components have shown major improvement due primarily to the added emphasis provided by full-time support personnel. Data in its FY 1987 report shows a very close correlation between the percentage of full-time manning and the percentage of units mission ready (C-3 or better) in any component.

The National Guard Association believes the Army and Air National Guard must be provided both the drilling and full-time manpower needed to meet the requirements of the missions and units assigned to them. Therefore, we urge Congress to authorize and fund additional growth of 2,000 AGR and 2,000 military technicians above the budget for the Army National Guard and 150 Active Guard Reserve and 450 technicians for the Air Guard in both FY 1990 and FY 1991. This will begin to reduce existing full-time support manpower shortages.

The amended FY 1990 budget proposes a reduction in Air National Guard force structure. Pending completion of the current force structure and force mix review, we urge the Congress to restore 600 drill strength, 48 AGR and 195 military technician positions to reverse the draw down of Air National Guard flying units.

EQUIPMENT REQUIREMENTS

Another critical limiting factor to mission readiness in both the Army and Air National Guard continues to be equipment shortages. During the 1980s, modernization has continued through the efforts of the Army, Air Force and Congress; however, significant shortages remain. The RFPB report for FY 1988 indicates that the shortage in equipment on hand at the end of the year for all Guard and Reserve components was valued at $14.1 billion. Although the shortage had been reduced by approximately $1.5 billion from the prior year, it still represents a shortage of almost 16% of total value of wartime equipment requirements.

Of the total $14.1 billion shortfall, $7.8 billion is in the Army National Guard and $1.8 billion is in the Air Guard. That represents a shortage of onhand versus wartime requirements of about 23% in the Army Guard and 7% in the Air Guard.

The strong support of Congress in recent years has significantly reduced some of the most critical needs. With modern equipment, or at least compatible and deployable equipment, the National Guard can be an effective full partner in the Total Force. But sufficient equipment must be provided to meet wartime requirements and initial training requirements of new units or missions.

The most urgent Army and Air National Guard equipment requirements

The most urgent Army and Air National Guard equipment requirements

are addressed in brief in the following paragraphs.

ARNG Tank Modernization Program

The ARNG was scheduled to be equipped with 480 M1 tanks and 3,357 M60A3 thermal sight tanks by the end of 1990, which led to a proposal to upgrade the combat effectiveness of the ARNG M60A3 fleet. In lieu of modernizing the M60 series tank, the Army announced its intention to equip the Army National Guard with M1 tanks as the M1A1 tank was distributed to the Army. Current Army plans now call for completed fielding of M60A3 tank to the Army Guard by the end of FY 1994, four years later than the original plan. The current plan also indicates M1A1 distribution to ARNG roundout units but fails to show complete fielding of the older 1980 vintage M1 tank to the ARNG through FY 1998.

Tanks have a critical role in conventional force strategies. We strongly urge support of continued production of the M1A1 tank at a rate of 720 per year and funding for transition of full battalion sets of M1 tanks and associated equipment to the Army National Guard.

M113 Family of Vehicles

The Army has not programmed any procurement of the M113 Family of Vehicles (FOV) for FY 1988 and beyond. The production line had been scheduled to close in FY 1989 and has remained open only because of congressional action to include M113s in the FY 1988 budget. The ARNG is still experiencing near-term "war stopper" shortages of over 3,000 M113 FOVs, approximately 1,000 of which are armored personnel carriers, required by Army National Guard combat or combat related units. In addition, there is a 16,000 vehicle shortage in war reserve stocks. We urge continuation of M113 FOV production by providing $91 million for 300 M113A3s and $27.5 million for 100 M577A3 command post carriers in FY 1990.

Attack Helicopters

While five of the ARNG's 15 attack helicopter battalions are currently programmed to receive Apache (AH-64) helicopters, the ARNG will be modernized through Cobra (AH-1S) helicopter transfers as the Army receives Apaches. Vietnam era UH-1M helicopters will remain in the Guard system beyond 1990-91 based on the current replacement rate. We encourage Congress to support continuation of a production rate of 72 Apache helicopters in FY 1990 and in future years until all Total Army advanced attack helicopter requirements have been met.

Utility Helicopters

By 1991, the scheduled purchase of UH-60A Black Hawk helicopters will be completed for the active Army. At that time, 85 percent of the Army National Guard UH-1H/V Huey helicopters will be over 20 years of age with the average age being 23 years. Current distribution plan schedules do not reflect sufficient Black Hawk utility helicopters to modernize a Guard fleet of nearly 900. Modernization of the utility helicopter fleet in the ARNG is urgently needed. Therefore, we request Congress fund production above the Army program of at least 24 Black Hawk helicopters for the Guard in both FY 1990 and 1991 and continue an increased production rate until all the aging UH-1H/Vs have been replaced.

Observation/Scout/Cargo Helicopters

The final elements in the Guard helicopter fleet are the less glamorous but essential work horses -- observation, scout and cargo helicopters. The need for their modernization to fulfill Total Army wartime requirements is equally critical. The current mix based on aging airframes and repair parts shortages results in deployability, maintainability, and interoperability problems. Specifically, we urge support of funding in FY 1990 and 1991 for an upgrade and reengine program for observation/scout helicopters and a long-term upgrade and replacement program for cargo helicopters. Both are critically essential for improved readiness.

Air Defense Artillery Modernization

The Army National Guard is severely short of organic air defense artillery for its major combat forces. The Guard air defense force structure is programmed to modernize its Air Defense Artillery battalions as a result of conversions and activations during FY 1988-1991. We urge Congress to support actions that ensure that the Guard is Congress to support actions that ensure that the Guard is included in the planning and fielding of any new air defense assets that replace current outdated and inadequate systems.

Multiple Launch Rocket System

Currently, there are no procurement programs to provide the Multiple Launch Rocket System (MLRS) launchers and rockets to equip the nine Army National Guard divisions or to satisfy any additional MLRS needs for Guard corps artillery units. Your support of increased production to accommodate the issue of two battalion sets of MLRS launchers per year to the ARNG until Guard requirements are satisfied is requested. It is also important to provide funds for rocket production sufficient to meet Total Army requirements.

Simulators and Training Devices

The Guard is required to achieve levels of training equal to that of the active Army. Simulators and training devices help to alleviate difficulties in the Guard and Reserve unique training environment resulting from the large number of small geographically scattered units. Funding of $5 million for research and development, $25 million for procurement and $2.5 million for operations and maintenance of training devices and simulators, tailored to the needs of small units, would provide a low cost enhancement of readiness training.

Operational Support Aircraft

Fixed-wing support aircraft are needed in the Army and Air National Guard to provide the capability to meet mobilization requirements of the state area commands, to transport personnel for command, control and supervision of subordinate elements, and to support movement of personnel, equipment and supplies to and from training areas, ranges and detached alert sites. Sixty percent of the mission support aircraft in the ARNG fleet are over 30 years old and are rapidly becoming logistically unsupportable. Additional aircraft are also needed in the ANG to meet growing support requirements. We encourage Congress to support a procurement program to provide 10 C-23 logistical support aircraft to the Army National Guard and six modern C-26 type aircraft per

aircraft to the Army Army and Air National Guard until mission and

year to both the Army and Air National Guard until mission and operational support requirements are met.

C-130H Tactical Airlift Aircraft

The airlift units of the Air National Guard provide 35 percent of the Air Force's tactical airlift assets and services. The C-130B has an average age of over 30 years and cannot match the airlift capability or, based on maintenance, the cost effectiveness of the C-130H. We strongly urge Congress to authorize and fund 18 C-130H aircraft to replace C-130B models in the Air National Guard in FY 1990.

Tactical Fighter Aircraft

Fighter aircraft are not being procured in sufficient quantities to meet Air Force, Air National Guard, and Air Force Reserve modernization needs of either force size or age goals. More than 50 percent of the Guard air defense, tactical fighter and reconnaissance aircraft are 20 or more years old and they are highly vulnerable in today's battlefield environment. We solicit congressional support of the accelerated modernization of ANG fighter squadrons by authorizing and funding multi-year procurement of at least 42 F-15 and 150 F-16 aircraft for the Total Air Force tactical fighter force.

Tactical Aircraft Improvement Programs

The Air National Guard is tasked to fight the same war, at the same time and in the same place as active Air Force units. It is imperative that we have commonality of weapons systems and tactical air support capability. The goal of modernization of the ANG tactical fighter and tactical air support fleets can be advanced by providing funds for implementation of the Multi Stage Improvement Program (MSIP) for the F-15, by funding upgrade modifications for the F-16A/B tactical fighter and by continuing the A-7 plus enhancement program in the Air National Guard. We request your support of these three programs.

Electronic Countermeasures (ECM) Pods

The environment of a potential combat arena is such that rapid and correct countermeasures are necessary to alleviate the threat from enemy correct countermeasures are necessary to alleviate the threat from enemy radar controlled weapons. The few ECM pods now in the ANG inventory are not adequate to meet the current threat. We urge Congress to begin an extended program to equip ANG tactical aircraft units with up-to-date ECM pods.

Fighter Reconnaissance Pod

Manned penetrating reconnaissance will be a warfighting requirement for the foreseeable future. A state-of-the-art reconnaissance pod is the most mission capable, cost-effective, near-term solution to modernization of the tactical reconnaissance force. We urge Congress to authorize continued development of a reconnaissance pod for a manual tactical reconnaissance aircraft.

Miscellaneous Equipment

Since FY 1982, Congress has provided funding for National Guard mission essential equipment to be selected by the Chief, National Guard Bureau, based on his most pressing shortages. While communication/electronic equipment has repeatedly been procured with these funds, it continues to be a serious shortfall. A high percentage of the essential command and control communications mission of the Total Force is in the Army and Air National Guard. Interoperability and obsolescence remain major problem areas. Over the past years, miscellaneous equipment funds have also been expended for trucks, medical equipment, aircraft support equipment, and other critical items. Even with the progress made possible through miscellaneous equipment funds, the National Guard continues to suffer shortages in ground and air combat equipment, communications equipment and medical equipment. Much of the equipment needed does not represent major procurement line items. We urge continued funding for miscellaneous equipment in FY 1990 and 1991, in order that the Chief, National Guard Bureau, can alleviate day-to-day shortages of high priority and combat essential equipment and directly improve combat capability and survivability of early mobilizing units of the Army and Air National Guard.

FEDERAL SHARE OF COST OF ARMORIES

FEDERAL SHARE OF COST OF ARMORIES

The law requires that the cost of new Army Guard armory construction be shared between the federal government and the states at a 75/25 percent ratio. The states must also furnish the land, provide site preparation and bring utilities to the property. Following construction and acceptance, the states acquire ownership of the armory and are required by current directives to maintain the armory at state expense and make it available for military use for 25 years. States are often hard pressed to appropriate the funds required to both construct and maintain armory facilities.

During the past several years, congressional action provided some relief to the states. Changes in law authorized 100 percent federal funding of expansion projects, required as a result of federal mission changes, and allowed advanced federal funding of engineering and design costs on a reimbursable basis.

Congress also authorized cost sharing of major maintenance projects for armories and full federal funding for the provision of space, utilities and communications support of full-time federal personnel. However, we are concerned that the assistance provided by Congress is not being continued by DoD in programming and budgeting. In the FY 1990 and 1991 budgets funds have been included for this purpose but unspecified budget cuts in operating funds again put this program in jeopardy. We would hope that the support of Congress for this essential funding would be recognized and that sufficient funding would be included in the FY 1992 Defense budget.

The cost of an executable annual program of providing support to Army Guard full-time federally employed personnel and fifty percent of the cost of major armory maintenance projects is $25 million. The National

Guard Association urges Congress to ensure this level of support is provided in FY 1990 and 1991.

MILITARY CONSTRUCTION

The unfunded military construction backlog in the National Guard

The unfunded military construction backlog in the National Guard continues to grow and will reach approximately $3 billion for the Army National Guard and $1.1 billion for the Air National Guard by the end of FY 1990. As a result of many units being forced to continue using inadequate facilities, manpower retention and unit readiness are being adversely affected. Two major factors in unit readiness capability -- training and equipment maintenance -- are being severely hampered.

We appreciate the increased funding Congress has provided for both programs. However, an annual appropriation rate of slightly over $150 million for the ARNG and approximately $150 million for the ANG has not allowed them to keep pace with both the new construction requirements which are caused by expanding federal missions and force structure changes or with the backlog of maintenance and replacement projects for current mission facilities. The unfunded construction projects are fundamental structures such as armories, maintenance shops, storage facilities for newly assigned equipment, fire suppression systems at air bases, and training facilities. Each additional project not only enhances the readiness of the units affected but also adds to the economic health of the community and state where it is located.

We urge that Congress recognize the existing National Guard military construction backlog and provide funding to accelerate National Guard construction programs to a level that will fund all new mission requirements plus a minimum of $150 million to apply against the current mission requirements of both the ARNG and the ANG in order to enhance readiness and begin to reduce their existing backlogs.

PERSONNEL ENTITLEMENTS AND BENEFITS

We fully agree with most military leaders that manpower is the mainstay of the Armed Forces of this country. All soldiers, airmen, and sailors whether they are active, Guard or Reserve make personal sacrifices to serve their country. In order to maintain the required levels of readiness and to fulfill their Total Force role, Guard members are increasingly called upon to perform additional duty periods, often without pay or benefits.

Our goal is to recruit, train and retain quality personnel. The quality of Guard personnel has steadily increased during the past decade. Entitlement and benefit programs have provided a significant incentive to belong to the Guard. Unfortunately, we continue to have personnel policies and provisions in law that fail to support the principles of the Total Force policy for Guard and Reserve members and adversely impact on recruiting and retention.

Survivor Benefit Plan

With changes to the two-tier Survivor Benefit Plan (SBP), the annuity for a large number of survivors of the National Guard and Reserve was substantially reduced. Members of the National Guard and Reserve generally do not earn much Social Security credit based on their military service and prior to 1986 their survivors experienced a minimal offset.

The original SBP was modeled after the Civil Service retirement system. Comparison between the Federal Employees Retirement System (FERS) and the two-tier SBP demonstrates a major inequity between the two revised programs. FERS provides a 50 percent annuity without reduction when an individual is eligible for Social Security. The SBP annuity drops to 35 percent.

In our view, there is no valid reason to provide a military survivor a lower percentage of a survivor annuity than that of a Civil Service employee survivor. NGAUS urges the enactment of legislation to establish, at the very least, an option for a single tier, 50 percent maximum annuity for eligible survivors of all military personnel.

GI Bill Expansion

The proven effectiveness of the Montgomery GI Bill for the Selected

Reserve as a tool for improving overall quality manning and readiness of the Guard and Reserve is limited by the exclusion of certain types of educational assistance. Expansion of the programs of education available to Guard and Reserve members to emulate those available to active members under Chapter 30, Title 38 would make the program more effective. Some of our vital readiness skills require hands-on vocational or advanced degree studies. We strongly urge Congress to expand the Montgomery GI Bill Chapter 106, Title 10 program to cover the same categories of educational assistance as Chapter 30, Title, 38.

Army Continuing Education System

Educational assistance through the Army Continuing Education System (ACES) is available to all members of the active Army and members of the Army National Guard and Army Reserve except for officers on active duty or AGR status and all Guard and Reserve warrant officers. The program also prohibits all Army Guard and Reserve personnel from receiving tuition assistance for graduate studies. Legislation to amend Section 2007, Title 10, USC to entitle all members of the Army Guard and Army Reserve to the same ACES opportunities currently afforded to the active component, and to most Guard and Reserve soldiers, is requested.

FORCE STRUCTURE CUTS/BUDGET REDUCTIONS

During recent budget reduction efforts in the Department of Defense the Air Force decided to absorb part of the cut by making force structure reductions across the active, Guard and Reserve tactical fighter and tactical airlift forces.

The FY 1989 budget proposed a reduction of two active tactical fighter wings and an equivalent wing from the Air National Guard and Air Force Reserve, with resources to be withdrawn over a three year period. It also included the first steps in a reduction of one Guard and Reserve equivalent tactical airlift squadron and two active squadrons.

During review of the FY 1989 budget, Congress questioned the cost effectiveness of applying cuts to current Guard and Reserve combat ready units and restored the funding to maintain the units. In addition, the Congress directed the Secretary of Defense to evaluate moving additional portions of Air Force missions to the Guard and Reserve and to report his recommendations by January 1989. That report is not yet available.

Force structure changes announced by the Air Force early this year indicate they are continuing with the proposal to reduce tactical fighter, tactical airlift and other flying units. Although tactical fighter reductions are not planned without concurrent conversion, the budget calls for several 24 aircraft F-4 units to be reduced to 18 aircraft as they convert to OA-10 and F-16 aircraft. In addition, one C-130E unit is programmed to reduce from 16 to 12 aircraft, without an aircraft conversion, and another unit will go from 16 C-130A to 8 C-130H aircraft.

Although details are not yet available, we are also concerned about the impact of the proposed Army Aviation Modernization Plan (AAMP). The end objective of the AAMP is to modernize the Total Army helicopter fleet. A key element is fielding of the LHX advanced helicopter in the mid to late 1990s. Our concern is that the AAMP proposes reductions in unit size equipment and manpower in the near term with no specified program for delivery of replacement equipment.

While reductions are required to meet budget limits, we seriously question the benefits in cost effectiveness or combat effectiveness of the decision to reduce Guard and Reserve forces at a time when active force combat capability is being cut and further reductions are being considered. In order to retain the maximum combat capability at the minimum cost, it would seem advisable to at least maintain the combat forces now in the Guard and Reserve. In fact, an argument could be made that Guard and Reserve forces should be robusted or expanded to take advantage of their lower cost peacetime operation and many of our nation's leaders are indicating an intention to examine that possibility.

Although cost comparisons between active and Guard units are difficult because of different mission taskings, unit size and methods of accounting for base support and overhead, estimated costs for Guard units generally range between 40 and 80 percent of the cost of a similar active unit. In any case, robusting of existing units, in order to utilize the current overhead structure, would certainly provide the lowest cost increase of combat capability possible.

Maintaining or expanding Guard and Reserve units would also provide a means of retaining in the Total Force many of the highly skilled personnel now being lost or forced out of the active forces. The investment in training and the combat capability of the Total Force would be retained although some might argue that the optimum balance of active and Guard/Reserve forces would be tilted. We believe the benefits of retaining the current force level and most of the combat capability would be significantly greater than the marginal costs involved.

We strongly urge that as Congress realigns priorities within the FY 1990/1991 DoD budget savings from other areas be applied to reinstate the proposed Guard and Reserve force structure cuts in order to retain the maximum number of skilled personnel and Total Force combat capability possible within the budget limit.

SUMMARY

We have appreciated this opportunity to present the views of the National Guard Association of the United States on the current status of the National Guard and the actions needed to improve combat readiness.

We sincerely appreciate the strong support of Congress in providing manpower, equipment, training resources and facilities in the past. That support, along with the support given by the services and DoD under the Total Force Policy, has allowed the Army and Air National Guard to greatly increase their combat readiness during the 1980s.

The National Guard and Reserve are a substantial element of the conventional force. As we enter a new era of budget constraints and force structure realignment, we must identify and satisfy the readiness needs of all Active, National Guard and Reserve components if the nation is to have the most effective defense force for the lowest possible cost. Shared responsibility demands equitable sharing of resources to meet present and future force requirements. As the Nation faces budget decisions that may require reductions in defense resources, it is imperative that we have an increased commitment to meet balanced Total Force requirements.

The National Guard Association of the United States recognizes the role of the National Guard in the Total Force and accepts the mandate to communicate the needs of the National Guard to meet that role. We intend to express our concern in every forum available when resources are insufficient for the National Guard to attain and maintain the readiness required.

To this end, the National Guard Association of the United States will strive to ensure that the National Guard is provided an equitable sharing of resources to meet the responsibilities assigned. Until those resources are provided, the basic tenets of the Total Force Policy will not have been fully realized and our conventional forces will not be fully ready.

NCOA®

Non Commissioned Officers Association of the United States of America

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March 28, 1989

Honorable Alan J. Dixon
Chairman, Subcommittee on Readiness,
  Sustainability, and Support
Committee on Armed Services
SR-228 Russell Senate Office Building
Washington, D.C. 20510

Dear Mr. Chairman:

The Non Commissioned Officers Association of the USA (NCOA) appreciates the invitation of March 21, 1989, to submit its prepared views on the FY 1990/1991 Military Construction and Family Housing Budget request.

Enclosed with this cover letter are ten (10) copies of the Association's statement, as requested.

If you, the members or staff of the Subcommittee have any questions, please feel free to contact me at any time.

With the best of good wishes and continued thanks for the Subcommittee's concern and interest in quality-of-life issues affecting the enlisted men and women of the Armed Forces of the United States, I am,

Respectfully,

C. A. "Mack" McKinney
Sergeant Major USMC Ret.
Legislative Counsel

CAM/car

enclosures a/s

Chartered by the United States Congress

STATEMENT OF
Sergeant Major C. A. (Mack) McKinney USMC (Ret.)
Legislative Counsel
Non Commissioned Officers Association of the USA (NCOA)

MILITARY CONSTRUCTION AND FAMILY HOUSING

FY 1990/1991

Last year, the then Secretary of Defense, presenting the FY 1989 defense budget, advised Congress that his principal priority was quality people. This occurred after he had won the approval of congressional-interests to cut military manpower by 43,000. Additionally, subsequent actions reduced the operations and maintenance (O&M) account that directly related to military personnel (i.e.- training, steaming, and flying hours).

NCOA has urged that there be no further cuts in active duty manpower for this coming fiscal year. Concurrently, the Defense Department (DoD) is not seeking a reduction in its proposed end strengths contained in the FY 1990 defense budget request.

As such, the losses in overall strengths in FYs 1988 and 1989 will not significantly alter the need to assure the nation's remaining servicemembers that they'll be provided with quality-of-life enhancements that 1)- improve chances for their retention, and 2)- will continue the high state of combat readiness they currently offer the nation's defense posture.

Providing the insurance that there will be quality-of-life programs available for military personnel is the continuing task assigned to this distinguished Subcommittee. Its track record over the past years has been exceptional. In these days of rising deficits, pay caps, extended tours of duty, etc., this Subcommittee has earned a reputation as a friend of the servicemember. In fact, NCOA would attribute a major part of the success of the All Volunteer Force since 1982 to the Subcommittees having oversight of military construction and family housing.

HOUSING

Remaining at the top of the wish list for most servicemembers is the need for adequate and affordable housing. For many its availability is remote. Housing allowances are continuing to fall short of congressional intent, 85 percent of median costs. Currently military personnel are paying out-of-pocket expenses in excess of 21 percent. The result is a requirement for more on-base housing costing the servicemember only as much as his or her housing allowance.

NCOA subscribes to the construction of additional on-base mobile home parks and manufactured housing to provide a faster and more economical remedy. Following close behind is an advocacy to stimulate increased construction of privately-funded housing that can be made available to younger servicemembers at reasonable rents (i.e.- no more than housing allowance receipts).

(NOTE: Overseas housing is addressed later in this statement).

DAVIS-BACON ACT

Under most circumstances NCOA concedes that, "What is Caesar's should be rendered unto Caesar." But, in the case of military personnel-related construction projects, the Association believes the appropriate unions should be more benevolent toward the very people who protect the right of unions to represent the citizens of this great nation.

The average cost of building or remodeling military-financed and owned housing is, in many areas, exorbitant. This is exceptionally true whenever there's a shortage of military housing for married servicemembers. When some builders can construct any number of single-family homes for a purchase price of less than $75,000- even in locations adjacent to high-cost sectors, such as the Washington Metropolitan Area- then like-homes on military bases should be priced somewhat less.

NCOA recommends that Congress take decisive action to amend the Davis-Bacon Act. In lieu of the original provision requiring workers to be paid at prevailing rates on all federal contracts valued at $2,000, change the sum to a more contemporary figure of $100,000 (for new military housing construction) and $25,000 for alterations to existing facilities. (In the FY 1989 family housing budget request, the average construction cost per unit for the Navy and Marine Corps was nearly $90,000.)

HOMEPORTING

NCOA continues to concern itself with the homeporting program. The Association is extremely uncomfortable that the Navy will plunge deeper into constructing installations near densely-populated and high-cost areas with little concern for the needs of its people.

Once again, NCOA memorializes this distinguished Subcommittee to ascertain itself and others that our sailors and their families will be provided with adequate quality-of-life facilities and programs, or are adequately compensated for the lack of same, upon assignment to these installations.

BACHELOR QUARTERS

The most economical asset the Armed Forces has is the bachelor servicemember. Although much of the focus of quality-of-life enhancements has been rightfully targeted to benefit the military family, more emphasis on improving the lifestyle of our single military personnel needs to be addressed. As noted in a 1985 survey, the quality of housing was rated by enlisted bachelors at a very low level of satisfaction.

Some of the objectives this Subcommittee should consider are: constructing more bachelor enlisted quarters (BEQs), upgrading existing BEQs, reevaluating space allocations, having the Defense Department take a closer look at some over-restrictive policies concerning living spaces (i.e.- visitation rights), and insuring timely attention to maintenance and furnishing of the facilities. A good beginning would be at military installations having servicemembers residing in World War II barracks, constructed 40+ years ago, or those of Korean War vintage, some 30+ years ago.

SCHOOLS

NCOA is pleased that DoD is abandoning efforts to transfer Section 6 Schools to local school districts. The Association recommends that Congress agree with Defense and adequately fund the needs of these vital facilities for future years.

The education of dependent children of servicemembers is probably of greater concern to the military family than most U.S. citizens. Military children are subjected to many moves from one school to another. If the change is from a military-operated school to one operated by certain local civilian school districts there could be a probable down-grading in the quality of instructions provided the students.

To maintain quality, to assure military personnel their children will not be disenrolled when adequate funding (impact aid) is not available; and to insure an orderly process in administering and operating existing school facilities, NCOA recommends Congress authorize and appropriate funds for Section 6 Schools as provided in law (P.L. 81-815 and P.L. 81-874). As of September 1987, forty-seven (47) DoD-funded Section 6 Schools required an estimated $93 million for construction, repair, or rehabilitation.

NCOA also urges this distinguished Subcommittee to pay particular attention to dependent schools overseas (DoDDS) and their impact on the morale of U.S. troops stationed in foreign countries. Insufficient consideration has been given in the past to these educational facilities, not so much in the construction sense but in the schools' operations.

Although admittedly not a matter for consideration by this Subcommittee, it should be one of concern that a member of the House Post Office and Civil Service Committee has introduced legislation, H.R. 217, that amends the DoDDs Teachers Pay and Personnel Practices Act. The proposal blatantly discriminates against military spouses.

The proposal enhances the benefit package for individuals recruited outside the United States for service in a teaching position. However, spouses residing with their military sponsors would be denied this entitlement. Whereas a spouse of a civilian employee of DoD overseas may earn the privileges, a spouse of an Army sergeant cannot.

This sort of legislation needs to be discarded by Congress.

CHILD CARE

The military departments are having greater need for child-care facilities on federal installations worldwide. The birthrate and the growing number of military spouses with young children seeking employment to offset declining military compensation, are growing by leaps and bounds. The Air Force, for example, is providing only half of its current and future requirements for this activity.

The military services need larger subsidies for the construction, operation, and maintenance of these centers. And of equal need is funds to compensate child care workers. According to a Defense Department official, one military installation offers less wages to its child care workers than those employed to collect trash.

Constructing more facilities without heeding the cry for changes in the way child care workers are compensated is not the answer to the challenge. A higher priority must be extended by the services to increase operating funds and push for amendments to federal regulations limiting the amount of funds that can be expended on MWR facilities and activities, and in lifting the restriction on using appropriated funds for employees' compensation.

The Subcommittee's assistance in this area will be appreciated by all concerned.

MILITARY HEALTH CARE

NCOA officials were surprised to learn how much more a military hospital can do with $250,000 than, say, sinking an equal sum into upgrading flag officers' housing.

In the case of one hospital, appropriating that amount for its use would provide an additional room for patients requiring removal of clothing for examination purposes.

Due to overextended conditions, five family practitioners must use their individual offices to allow patients to dress or undress. This reduces the number of patients the doctors can accommodate. It has caused the patient overload to opt for the costly CHAMPUS program.

NCOA does not see an end to the deficit problem by reducing needed funds to modernize the military's medical facilities and their inventories. The costs to accomplish this task will only multiply in the out-years. The services need about $450 million a year, according to a Defense official, to adequately support the departmental program.

NCOA urges Congress to consider authorizing and appropriating this amount annually so that military treatment facilities may be modernized or replaced on a more reasonable and economical cycle.

MORALE, WELFARE & RECREATION (MWR)

The Non Commissioned Officers Association is visibly concerned that the reduction in MWR appropriated funds over the past few years has taken a deeper cut in MWR construction plans and activities than warranted. Although some funds were used to provide MWR activities for servicemembers who possibly can afford to pay higher costs, their denial adversely affects many of the younger, less-affluent.

One of the primary duties of military leadership is to provide young servicemembers with healthy and clean recreational activities that enhance moral character. Such programs in the civilian community are principally funded by the taxpayers and it should be so within the military establishment.

NCOA urges Congress to reconsider denial of these funds and reauthorize and appropriate adequate funds to construct, modernize, implement, and operate MWR facilities and programs, particularly for younger servicemembers.

The availability of substantial MWR activities will do much to keep young servicemembers on military installations. This will lessen the chance of their outside involvement in questionable and suspect ventures.

FAMILY SUPPORT CENTERS

While on the subject of MWR facilities, NCOA cannot fully express it advocacy for the construction and operation of family support centers. NCOA believes that every military installation moving troops in-and-out of country or conducting stressful training programs should have a family support center. The availability of parenting classes, parent-support groups, family workshops and member employment assistance, counseling and counseling referrals (particularly in support of families subject to deployment), and child-abuse counseling, to name but a few, provide a healthy environment for our servicemembers and their families. Whatever the cost, these centers are well-worth the monies spent for their construction and operation.

OVERSEAS FACILITIES

NCOA supports any proposal that expands the financial contributions of foreign nations whose defenses are furnished to some extent by the U.S. Armed Forces. In the matter of construction, for example, these foreign nations should be required to pay a fair share of the costs. If the United States should withdraw its military manpower from these countries, the permanent buildings, facilities, and structures would become the sole property of the host nations.

NCOA, therefore, recommends that Congress demand increased contributions from foreign nations housing U.S. troops and equipment that shore-up the host country's defense posture. The devalued dollar (along with favorable provisions for host nation's in status-of-forces agreements) does much to enhance foreign economies. It's far past the time for the United States to stop playing the "rich uncle" role and, at the minimum, seek equal partnership in all things common to the defense of the host nation and the NATO agreement.

U.S. military forces overseas should have modern facilities, and adequate training areas without subjecting individual servicemembers to substandard housing and working environments, exorbitant rents, and a depleted bank account eventually leading to indebtedness prior to a return to the United States.

Should host nations refuse to accept a greater financial role in retaining U.S. troops, NCOA recommends that the United

States reassign its forces accordingly.

NCOA DOING PART

NCOA chapters overseas and stateside are raising funds to aid in the operation of many on-base activities and programs once supported by appropriated or nonappropriated funds.

Last year, NCOA chapters in the Federal Republic of Germany raised $41,000 to benefit local military programs. In addition, NCOA, itself, funds a medical trust fund, a scholarship fund, and veterans' job fairs, as well as other community programs sponsored by individual chapters.

NCOA is doing its part and, hopefully, will do more. Nevertheless, the major funding must come from the nation's taxpayers. It is they who receive the end result of our servicemembers' vigilance and dedication.

As the taxpayers' representatives in Congress, NCOA relies on your venerable wisdom to adopt and fund the best of the requests for quality-of-life improvements that benefit our men and women in uniform and, most importantly, sustain the high-level of personal combat readiness now enjoyed in the Armed Forces of the United States.

Statement of

Major General Evan L. Hultman, AUS (Ret.)

Executive Director

Reserve Officers Association of the United States

Mr. Chairman and Members of the Committee:

On behalf of the many men and women from all of the uniformed services who are members of the Reserve Officers Association (ROA), I appreciate having this opportunity to address the FY90 Department of Defense appropriations pertaining to the readiness of the Reserve forces.

Reserve forces generally are more cost-effective than active forces when the Reserve forces are properly managed, equipped and trained. Reservists have repeatedly demonstrated that they can do the job. In the past years, the Reserve Officers Association has encouraged the Congress to satisfy the personnel needs and to provide better and more modern equipment to the Reserve Components as an economical way to maintain the readiness of the armed forces in an uncertain world.

The initiatives by Soviet President Mikhail Gorbachev to reduce conventional forces in Europe and the appearances of change within the Eastern Block countries have given rise to the perception that we live in a safer world. The perceived diminished threat reinforces the call to reduce the U.S. military presence and commitments in Europe and elsewhere. The perceptions and pressure to draw down forces provide fuel and rationale for large cuts in defense spending to lower the budget deficit. The shifting of missions from the active to the Reserve Components is being touted as the way to reduce defense spending.

A greater reliance on the Reserve Components has merit. In a bipartisan report for the America Agenda project of former Presidents Carter and Ford, the National Security Adviser, Lieutenant General Brent Scowcroft and former Undersecretary of the Navy, James Woolsey, advocate a greater role for the Guard and Reserve. More recently the former Secretary of Navy John Lehman makes a case for shifting significant force structure to the Reserve, and the idea is being advanced by others--in the Congress, the press and elsewhere. The Reserve Officers Association supports a greater reliance on the Reserve but warns that the Department of Defense cannot proceed without clear purpose and direction.

The budgetary and political climate demands that the Department of Defense carefully consider the active and Reserve force mix and develop contingency plans for the phased transfer of missions and structure from the active to the Reserve Components. If budget and political pressures are allowed to drive force and mission changes without careful analysis and planning, readiness will unnecessarily be degraded and resources will be wasted.

ROA urges this committee to direct DoD to undertake a force mix study and develop total force plans to meet our defense needs in the 1990s. "Smart" mission transfers should be made, but they will require an analytical, forward look.

Whether driven by the budget, world perceptions or analytical studies, it seems inevitable that there will be a continued mission/structure shift from the active to the Reserve forces.

Traditionally, force structure is transferred to the less expensive Reserve Components to preserve it for future contingencies. The saving is made by placing it in the Reserve. However, mission transfers are not always accompanied by essential manpower required to effectively manage force growth, the equipment necessary to assume maintenance of combat capability, nor the funding needed to train the force to required readiness levels. If, having served as the vehicle for attaining a cheaper force structure, subsequent budget and manpower cuts are applied equally to the Reserve and the active forces, combat capability and readiness must suffer.

The Congressional-Administration budget agreement announced 14 April reduced to $295.6 billion spending for the Department of Defense. The budget request unveiled by Secretary of Defense Dick Cheney 25 April would see real purchasing power decline for the fifth consecutive year. Most of the cuts came from the active force but the budget knife does not spare the Reserve forces. Reserve Components reductions are difficult to justify at a time when the Congress and the administration are searching for ways to make savings.

ROA wishes to thank the Congress for personnel programs improvements and for the significant gains made in modernizing the equipment of the Reserve forces during recent years. To a great extent, this has been initiated by Congress, not Pentagon budget requests.

Before addressing the needs of the respective services, I would emphasize, in these days of shrinking budgets, the importance of keeping our "powder dry". ROA recognizes that the world is not static and welcomes some apparent changes in the Soviet Union and East Bloc countries and the lessening of tensions. However, ROA reminds the Congress that we have yet to see the fruits of Mr. Gorbachev's initiatives. ROA encourages the Congress to pursue peace through strength until we can determine whether that which is perceived is strategic change, rather than tactical retreat.

ARMY RESERVE

The United States Army Reserve (USAR) needs this committees'

help in several areas if it is to continue to improve its go-to-war capability/readiness as an essential element of the Total Army. The USAR has, with your assistance, become the best Army Reserve this nation has ever had. As you well know, today's USAR with increased missions and heightened mobilization readiness employs and deploys in many cases prior to units of the active component. It appears, however, that an ironic turn of events has been born out of its success. The original and continuing fact is that the Reserve Components are inherently less expensive to operate than their counterparts on active duty. Studies of cost savings range from up to 47 percent down to 25 percent. Yet the Army Reserve has taken inappropriate cuts in the President's budget when compared to the rest of the Army. In the past, Congress, in its wisdom, has countered the budget presentations with vital programs such as Dedicated Procurement for Army Reserve equipment, Operation and Maintenance Army Reserve (OMAR), Reserve Component Automation System (RCAS) and Military Construction Army Reserve (MCAR) add ons. We know that this committee understands the exceptional value of the Army Reserve and will continue to provide the kinds of appropriation support required to allow the USAR to maximize its cost effectiveness while continuing to improve its readiness.

We strongly recommend that this committee support a vital change needed in the present expensive, dysfunctional command and control structure of the Army Reserve--a change that will greatly reduce administrative overhead, remove bureaucratic layering and ensure that every appropriated dollar possible reaches the soldiers who require it for training and equipment. Since the passage of PL 90-168, Congress has continually questioned the Army on why the Chief Army Reserve is not dual hatted as is the commander of his component in the Air Force and Navy. The Army must make this change happen. As the executive director of a joint service organization, I constantly observe all the services and their Reserve Components, and I must state for the record that the Army is the most cumbersome. The time is right to bring all of our Reserve Components into peacetime alignment and into compliance with the intent of PL 90-168--we can no longer afford not to.

The Army Reserve's request for a modest growth in full-time support, both AGR and Army Reserve technicians, is an important readiness enhancement that the committee should approve. These individuals are desperately needed in order to field new Army Reserve aviation and combat service support unit activations as well as to staff critical doctor and nurse recruiter positions. It has been the presence of full-time support personnel and, in particular, the AGR that has brought the Army Reserve to a state of readiness that enables it to take on missions along side the active component in support of ground force contingency plans.

We believe that the Chief Army Reserve's budget request accurately reflects what the Army and DOD want to present to Congress. We do not believe, however, that it reflects the totality of the minimum essential resources that the USAR needs to properly accomplish its mission. The appropriation that most glaringly illustrates this point is Operations and Maintenance, Army Reserve (OMAR). Critical items that are now "unfunded" include:

* $30.5M	To reduce the $2.3B backlog of maintenance and repair (BMAR)
* $10.0M	To reduce the Organizational Clothing and Equipment (OCE) backlog by 10 percent.
* $10.0M	To replace funding diverted from the Supplies and Equipment account to pay for additional 397 Military Technicians being hired in FY89.

* $ 6.0M	To fund the Scholarship Training for Army Reserve (STAR) medical training program utilizing civilian schools near soldiers' homes rather than military schools (Funds 1000 students).
* $ 5.6M	To fund leasing of space for Army Reserve Centers to accommodate unit activation and/or unit relocations.

Mr. Chairman, there is another issue that needs the support of this committee to give the Army Reserve capability to properly provide general officer leadership to a structure that has greatly expanded over the last 35 years. Legislative changes to update Title 10 U.S. Code should include three areas:

* An appropriate increase in the authorized number of Reserve Component general officers (Section 3218, USC 10) to a level commensurate with the expanded RC mission of 1990 and beyond.

* Relief of the requirement for a Reserve Component general officer candidate to be assigned to a Reserve Component general officer position prior to being nominated for promotion.

* Removal of all Reserve Component general officers temporarily on active status working directly with their component from the active component authorized general officer strength.

The US Army Reserve is a dynamic, integral and essential part of today's Total Army. These citizen soldiers--who are our sons and daughters, relatives, neighbors and friends--deserve their nation's support. A healthy Army Reserve pays enormous benefits to our great country; benefits that yield a tremendous amount of deterrence for a most reasonable cost.

AIR FORCE RESERVE

We are proud that the Air Force Reserve is combat ready and supplied with modern equipment and well-trained, motivated personnel. This past year, the AFR has once again demonstrated its readiness and the excellence of its personnel.

In the highly competitive SAC Bombing and Navigation Competition, a Reserve crew was selected as the "Best KC-10 Crew". This 452nd Air Refueling Wing crew from March AFB, California, amassed a score of 98.55, out of a possible 100 points.

An example of the capability of Reservists to respond rapidly to real world contingencies is the AFR's C-141 Unit at Andrews AFB, Maryland. Last March, a Reserve crew from the 459th Military Airlift Wing responded to an urgent request to support the deployment of the 82nd Airborne Division into Honduras. They flew the first aircraft into Palmerola Air Base, Honduras in support of the no-notice JCS Exercise "GOLDEN PHEASANT".

Despite the demonstrated combat capability and readiness of the AFR, the Air Force continues to "double-dip" the AFR in response to severe pressure to reduce the Air Force budget. Notwithstanding the significant savings made when force structure is transferred to the Reserve Components, the Air Force continues to propose additional so-called "fair share" across-the-board cuts to AFR and active force structures and appropriations.

Once again, the Air Force proposes to reduce aircraft and aircrew positions in the Air Reserve forces. As we pointed out last year, the proposed savings will not begin to equal the loss of investment in six million dollar pilots who will be lost to the total force. In view of the continued hemorrhage of pilots from active duty, the argument that there should be more pilot slots in the Air Reserve Forces, not less, is compelling. We propose that the Air Force "robust" existing units with more aircraft rather than less. This option increases Reserve pilot positions, unit combat capability, and cost-effectiveness without any increase in overhead.

The following table summarizes the proposed cuts in Air Force Reserve structure and the cost of restoring them in the FY90 budget. ROA urges the committee to once again make this adjustment as it did in the FY89 appropriations:

Air Force Reserve

FY 1990 Force Structure Restoration

				($ K)		
Aircraft	Location	Drill Strength	Civilian Strength	O&M, USAFR (3740)	RP,AF (3700)	AP,AF (3010)
4 C-130B	Peterson AFB, CO	119	32	2,979	936	1,167
1 AF-130A	Duke Field, FL	70	17	1,857	629	411
1 HH-3E	Homestead AFB, FL	14	5	457	145	98
6 F-16A/B	Tinker AFB, OK	159	22	2,207	935	3,073
1 HC-130H	Portland IAP,OR	37	10	604	315	323
Total		399	86	$8,104	$2,960	$5,072

In addition to maintaining the existing force structure, modernization of equipment is still a high priority for the AFR. The procurement of MH-60G helicopters for the AFR, began by the Congress last year, remains as the number one equipment requirement. Sixteen MH-60G aircraft are needed to replace the remaining aged H-3 helicopters in the AFR. We recommend that the Committee add the necessary funds to procure these sixteen aircraft in FY90.

Another initiative addressed by the Congress in previous years is the critical need for defensive systems to protect the AFR's tactical fighters and airlift aircraft. Without these systems, tactical aircraft cannot survive in the high-threat environments in which they will have to operate. Despite the add-on funds for miscellaneous equipment previously provided by the Congress, many requirements are still unmet. ROA recommends that $35 million be added to the FY90 budget for defensive systems for AFR tactical aircraft.

The modernization of the C-130 fleet in the AFR, initiated by the Congress, has been an outstanding success. Because the 757th Tactical Airlift Squadron at Youngstown, Ohio, received only six C-130H aircraft in last year's procurement, two more are needed this year to complete the replacement of old C-130's in that unit. We recommend that the Committee continue to support the C-130 modernization program.

Combat capability depends as much upon Reserve personnel, full-time support personnel, and Operations and Maintenance (O & M) accounts as upon modern equipment. AFR O & M accounts show significant reductions in the FY90 budget request, the only Air Force component to do so. We urge the Committee to address the shortfall and to favorably consider the need for an additional 188 Air Reserve Technicians to improve medical and combat support unit readiness at a cost of only $5.7 million.

In summary, with your continued understanding and support, the Air Force Reserve will continue to provide a superb, cost-effective, combat ready fighting force. Exercises and real world contingencies have proved that all AFR units can mobilize in 24 hours and deploy within 72 hours. The AFR is ready, better and stronger than ever before; we ask that you provide the resources to keep it that way.

NAVY & MARINE CORPS RESERVE

ROA supports fully the position of the Chief of Naval Operations that a Navy of at least 15 deployable Carrier Battle Groups, four Battleship Battle groups, 100 Attack Submarines, Amphibious Lift for a Marine Expeditionary Force and a Marine Expeditionary Brigade, plus sufficient Strategic Submarines, Support Ships, and Strategic Sealift is required to meet effectively today's worldwide commitments and wartime scenarios.

If it is determined we can not afford, in a fiscal sense, a Navy of the size outlined by Admiral Trost, then we must also acknowledge that a smaller force mandates that the Navy and Marine Corps team have a smaller operational commitment. The prospect of a "come-as-you-are" war or short fused contingency operation mandates that the forces available be fully ready.

A smaller force stretched to meet the deployment schedule associated with the Navy's global responsibilities of today will lead to a return of the sharp degradation of readiness that was the hallmark of the seventies. Our nation can not afford to again experience that bitter lesson.

FORCE MIX

Last year, planners within the Pentagon were considering seriously the imminent transfer of 16 Brooke and Garcia class frigates from the active force to the Naval Reserve as an alternative to the planned decommissioning of these ships to meet fiscal and manpower ceilings. ROA testified in opposition to this action on the basis that such a transfer would be grossly impractical. Fortunately, wiser heads prevailed and the ships were decommissioned.

Such a flurry of planning activity must not be the way issues of force size and force mix are resolved. ROA has strongly recommended that the force size/force mix issue be addressed fully and promptly.

ROA assumes that reductions in the active force structure are a "given." The questions associated with this premise which must be answered include:

Which peacetime commitments or mission capabilities will we reduce and to what degree?

How will these changes be phased over time?

How much of these mission capabilities can we prudently plan to do without?

What new or expanded mission capabilities will be transferred to the Reserve forces?

ROA is concerned that some will see the transfer of forces or mission responsibility to the Reserve components as the easy and universal panacea.

Nothing could be further from the truth.

There are limitations on the number of Reserve personnel available to man new or expanded mission areas and limitations on the availability of Reservists to perform required additional training or to meet operational requirements of their parent services short of war or national emergency.

It is interesting to note that the Navy, in its most recent report to the Congress on its Total Force, expresses a belief that existing Presidential authority to call Selected Reservists, when required for non-mobilization contingencies, should be used to meet operational requirements. The Navy has also called for planners to "consider the level of risk inherent in force mix decisions resulting in all, or nearly all, of a specific Navy capability being assigned to the Naval Reserve."

The Navy has taken its own caution to heart. The new construction Avenger class Mine Countermeasures ship mix will now be five active force, nine Naval Reserve instead of the original plan to place all 14 ships in the Naval Reserve.

FY90 BUDGET REVISIONS

Unfortunately, the office of the Secretary of Defense has not used ROA's logic consistently when developing the package of changes to the Reagan budget submission needed to meet revised fiscal targets. The revised budget would make Navy force level reductions in several areas, including a loss of the 15th Carrier Battle Group, early decommissioning of several destroyers, deletion of several ships from the procurement plan, deletion or slowdown of several aircraft procurement programs and two structure changes with significant impact on the Naval Reserve. Those structure changes are the transfer of an additional four FF-1052 frigates from the active force to the Naval Reserve in FY90 and six more in FY91 with the transfer of another seven in both FY92 and FY93 planned. The revised budget also proposes that Navy Selected Reserve strength be increased by an additional 1200 by the end of FY91 to accommodate crews needed for the ten more frigates. This expanded role for the Naval Reserve appears feasable, but ROA is concerned that adequate funds may not be provided to maintain these ships properly or to provide necessary shore based support facilities.

Secretary Cheney has also proposed that the Navy "deactivate 73 older P-3A/B aircraft." This decision, if allowed to stand, will translate into a significant loss of Anti-Submarine Warfare (ASW) capability, particularly from the Naval Reserve. The plan is understood to include the loss of one aircraft from each of 24 active force squadrons (each squadron would go from 9 to 8 aircraft) and result in an all P-3C active force while leaving the Naval Reserve only 60 P-3B's, plus the P-3Cs previously provided directly by Congress.

ROA views this proposal as fatally flawed. First, the Soviet submarine threat is not diminishing -- it is increasing. Second, the proposal would reduce Naval Reserve squadrons to only six aircraft each (a 33% reduction in aircraft and crews) while decreasing active force squadrons by only one aircraft each without affecting the number of aircrews. Third, the resulting force mix would be an all P-3C active force with most Naval Reserve squadrons flying P-3B aircraft -- a reversal of the

Navy's much applauded horizontal integration policy. It is understood that the budget savings for this substantive decrease in ASW capability is a relatively modest $38M in FY90.

ROA recommends that this proposal either be reversed or be modified to retain the current aircraft and crew structure in the Naval Reserve. In either case, the Naval Reserve aircraft should be modernized to improve their capability to locate and track Soviet submarines as Soviet technology permits them to operate more quietly.

The high level of professional competence and relatively low cost to retain this expertise in the Naval Reserve make the Naval Reserve P-3 squadrons an outstanding example of the type of military capability that should be in our Reserve Forces in an increasing rather than a decreasing percent of the total force.

FORCE MODERNIZATION

Today's Guard and Reserve is much more capable and more ready than at the beginning of this decade. However, more needs to be done to equip, modernize and train the existing Reserve force. Additional, not less, funding is required for the Reserve Forces.

For example, Naval Reserve frigates are at a high state of readiness, but their capability to accomplish their Anti-Submarine Warfare mission is becoming less as Soviet submarines become quieter and more difficult to locate.

In recognition of this situation, ROA adopted a resolution at our recent Mid-Winter Conference which urges Congress to authorize and fund the upgrade of all FFG-7 and FF-1052 ships with AN/SQQ 89 ASW Combat Systems and SQR 18A towed arrays, as required, and to authorize and fund the ongoing block upgrade program for the LAMPS MKI helicopters.

Although modernization of these ships and helicopters will provide a significant ASW capability improvement at a relatively modest cost, the helicopter upgrade program is not funded in the President's budget and the ship modernization program shows signs of slipping in the out years.

The block upgrade program to enhance Naval Reserve SH-2F helicopters to a "G" configuration requires the addition of $45 million a year over the budget request to sustain this highly cost effective program initiated by Congress in 1987. $45 million will fund conversion of six aircraft per year with the new T 700 engine, which permits a significant increase in range and on-station time, plus an avionics package nearly identical to the SH-60F and an on-board acoustic processor and data link.

This configuration is the result of a Navy study, mandated by Congress, to find the best ASW solution for the ships, such as the Naval Reserve frigates, that would not accommodate LAMPS MK3 SH-60 helicopters.

The Navy has a critical shortfall in organic inter theatre airlift capability. The Center for Naval Analysis (CNA) Navy Organic Airlift Study documented a requirement for additional logistic aircraft to support wartime fleet operations including 19 C-130's and 29 C-20's.

Virtually, all of the Navy's airlift is operated by the Naval Reserve. These aircraft support Navy peacetime and contingency operations while training for mobilization. In fact, Naval Reserve C-9 aircraft, during an average week in 1987, airlifted 7,700 passengers and 240 thousand pounds of cargo, but was limited to fulfilling only 60 percent of peacetime requirements because of its shortage of aircraft.

In recognition of these facts, ROA is recommending that the Congress authorize and fund a multiyear plan to address this equipment shortfall. ROA recommends procurement of 4 C-130H aircraft in FY90 ($87M plus $3M in initial spares) and four more in FY91 plus the procurement of 2 C-20F aircraft to replace the obsolescent 35 year old C-131H aircraft located at Andrews AFB ($49.6 M) plus the procurement of a third C-20F in FY91 to complete the modernization of the Andrews squadron.

In a like manner, the Marine Corps Reserve needs congressional action to add funding for the procurement of two KC-130T aircraft in FY90 ($50 M) and FY91 ($53 M), plus $5M for spares each year. These aircraft are part of the last six KC-130Ts needed to complete the squadron at Stewart Air Base N.Y. and, thereby, provide the Marine Corps with a capability to perform the essential missions of refueling long-range fighters or low-level, low-speed helicopters.

The Marine Corps Reserve also needs AH-1W Cobra helicopters to replace 20 year old AH-1J model aircraft and AV-8B Harriers to replace A-4 light attack aircraft.

FORCE MANNING

A key element in the effectiveness of any military unit is the personnel. Is the unit fully manned? Are the assigned personnel trained and ready to perform?

ROA strongly supports the small growth in Selected Reserve personnel requested for the Naval and Marine Corps Reserve reflected in the table below:

SELECTED RESERVE END STRENGTH

NAVY

	FY89	FY90	CHANGE
DRILLING	130,609	130,880	+271
FULL TIME SUPPORT	21,991	22,320	+329
TOTAL SELRES	152,600	153,200	+600

MARINE CORPS

	FY89	FY90	CHANGE
DRILLING	41,655	41,699	+44
FULL TIME SUPPORT	1,945	2,301	+356
TOTAL SELRES	43,600	44,000	+400

The proposed growth in Full Time Support (FTS) personnel is particularly important. Both the Naval and Marine Corps Reserve have had limited or no growth in this essential area during the past few years. The failure to permit growth in the number of full-time active duty personnel needed to train, administer and support an expanding Reserve with more complex equipment has been a glaring example of the misconception that new or expanded missions can be transferred to the Reserve components without the required resources.

Cost effective incentive pays are also needed. The Naval Reserve is manning assigned ships at a high level and the dedication of Naval Reservist assigned is unquestionable. However, the nature of service on a Naval Reserve ship, underway on Friday to return late Sunday, often operating under physically demanding conditions at sea the entire weekend, has created higher than desired personnel turnover. The result is an expensive training problem. For several years the Navy has proposed, and now, for the first time, the administration has supported a proposal to authorize a new unit incentive pay on a test basis.

This incentive would permit payment of an additional $10.00 per drill per month (not to exceed $50.00 per month) to enlisted Selected Reservist assigned to critical "hard-to-man" units. The

Navy plans to test the efficiency of this new incentive pay on the Selected Reserve crew members of the Naval Reserve Force ships. This modest incentive will recognize the arduous nature of this duty and should increase unit readiness and decrease training costs by reducing personnel turnover. ROA strongly supports this initiative and urges this committee to do the same.

GENERAL PERSONNEL ISSUES

Reserve Officer Personnel Management Act (ROMPA)

The need for legislation addressing appointment, retention, promotion and retirement of Reserve officers is crucial to the management of the Reserve Component. When the Defense Officer Personnel Management Act (DOPMA) was adopted in 1981 for the active component personnel, it was understood that ROPMA would follow as a counterpart to replace ROPA (Reserve Officer Personnel Act).

ROPMA was introduced in the 99th and the 100th Congresses. On 26 January 1988, when Congressman G. V. (Sonny) Montgomery announced his introduction of a ROPMA bill (H.R. 3856/100th Congress) at a Reserve Officers Association Mid-Winter Conference at the Washington Hilton, the 500 Reserve officers attending responded to the announcement with a prolonged standing ovation.

In its Annual report of the Reserve Forces Policy Board, the Reserve Forces Policy Board states that among other issues, ROPMA would:

* Provide common statues for all Reserve Components regarding appointment, promotion, separation, and retirement of Reserve Component officers.

* Establish a visible, uniform, and improved personnel management system for Reserve Component officers not on the active duty list.

* Provide the flexibility to be responsive to changing officer requirements.

- Provide a balance between management objectives and equitable treatment of individual career expectations, including an attractive career progression for Reserve Component officers.

In its conclusion, "The Board recommends that passage of the proposed ROPMA legislation be given priority by the Congress."

The House Armed Services Personnel Subcommittee held hearings on ROPMA in September of 1988. All who testified from the services and from the military associations unanimously supported the ROPMA proposal and recommended the earliest possible adoption of the legislation. ROA understands that a little changed ROPMA bill will be introduced in the house soon. We look forward to its introduction and urge the Senate to consider the legislation as soon as possible.

Reserve Medical Coverage

On behalf of our members ROA would like to express it's appreciation to the Congress for the progress that has been made over the past several years towards equalizing the medical benefits for Reservists and their survivors in the event the Reservist becomes ill, is injured, or killed while traveling to or from training or while participating in weekend drills or on tours of less than thirty days. Your recognition of the increased reliance that is being placed upon the Reserve Components has been paralleled by legislation to provide equal medical, disability, and survivor benefits for this important element of the Total Force.

While the major disparities that existed several years ago have been addressed and remedied we would like to point out that there is still a need to enact legislation to provide, in the case of members of the Reserve who are seriously injured in the line of duty while in a training or training related status, authority for the Service Secretary concerned to order a seriously injured Reserve Component member, with his or her consent, to extended active duty when it is determined to be in the interest of fairness and equity to do so.

The need for this legislative fix was highlighted in June 1987 when an Army Reserve Component helicopter crashed during training exercises killing two soldiers and seriously injuring six others. Since both active duty and Reserve soldiers where on board the aircraft at the time of the accident it quickly became apparent that due to anomalies in the statutes families of active duty disabled soldiers have considerably more entitlements than do those of Reserve Component soldiers. Following the accident Reserve Component wives had problems reaching their severely injured husband due to the lack of a travel entitlement, obtaining on-post housing, and access to commissary, exchange and medical treatment because the Reserve Component soldiers were not on active duty. Families of those soldiers on extended active duty did not experience similar problems.

Since Congress authorized the Service Secretaries in P.L. 99-661 to involuntarily order to active duty any Reserve Component member captured or detained against his or her will by a hostile force, in order to provide some benefits and protection to Reserve Component members and their families during such situations, similar corrective legislation is warranted in the case of a member of a Reserve Component who is disabled in the line of duty by injury, illness, or disease while in a training or training-related travel status. ROA supports correcting this problem in the interest of fairness and equity.

Medical Shortfalls

ROA continues to be concerned over the shortages of health care professionals within the Reserve Components. The impact of the shortage of health care professionals within the Reserve

Components is brought into focus when we note that approximately two-thirds of the medical care required during a major conflict in which the U.S. may be involved is programmed to be provided be the Reserve Components. For example, the Army will rely on the Reserve Components to provide 77% of its general surgeons and 75% of the required nurses. In the Air Force, the Air Reserve Components are tasked to provide 35% of the wartime medical manpower requirement. The Air Reserve Components also provide 70% of their second echelon tasking, 75% of their CONUS augmentation tasking, and 97% of their aeromedical evacuation wartime capability. These are just examples of the dependency the Total Force places upon the Reserve Component medical care needed during a wartime scenario. For this reason, we hope that this Committee, as it addresses the medical shortfalls that currently exist, will work with the services to address methods by which the Reserve Components may reduce their shortages.

We recognize and applaud steps the Congress has already taken in the form of the new Specialized Training Assistance Program to provide monthly stipends for members training in critical skills in return for a commitment to the Selected Reserve or the Individual Ready Reserve. The Health Professions Loan Repayment Program, which provides for repayment of student loans in return for service in the Selected Reserve, is another step in the right direction. However, we are concerned that the shortages which currently exist will continue if additional new and creative recruitment and retention procedures are not adopted. ROA hopes that the members of this Committee will work with the health professionals in the different services to establish additional programs to solve the shortages of Reserve Component medical professionals. In the past, ROA has testified that we believe a health care professionals special pay program for Reserve personnel should be considered as part of an overall plan to reduce existing shortages. ROA still believes that an adequate special pay incentive program, when coupled with other incentives, would have a beneficial effect on recruiting and retention for the Reserve Components.

User Fees

When the FY88 DoD Authorization Bill was signed into law, it contained a two year prohibition on the charging of outpatient fees at military medical treatment facilities. Unfortunately, those two years expire on the First of October and we note that OMB is again attempting to impose this new tax on active duty military dependents and military retirees and their dependents under the guise of a limited test program. ROA strongly opposes this proposed tax and hopes the Congress will again take action to prohibit the implementation of a users fee at military medical treatment facilities. Should such a user fee be permitted it would break faith with the long standing commitment by the Government to provide free medical care to military personnel and their families, and would have adverse effects on morale which could impair job satisfaction, performance, retention and readiness.

Medicare Catastrophic Coverage Act of 1988

ROA is very concerned over the impact that the new Medicare Catastrophic Coverage Act of 1988 can have on the desirability of making the military a career either in the active or Reserve Components. An often promised and accepted element of military compensation has been that of no-cost medical care both during the members military career and on into retirement. Unfortunately, the funding mechanism of the new Medicare Catastrophic Cap legislation has the effect of placing an unanticipated financial burden on many military retirees. Even those military retirees who exclusively use military treatment facilities now find that if they pay any federal income tax at all they will be required to pay an additional Medicare surtax when they become Medicare eligible. Therefore we urge the Congress to codify the historical commitment of no cost medical care for uniformed service retirees, their dependents and survivors, thereby removing the Catastrophic Coverage surcharge from these retirees. In addition, we would recommend a reexamination of the financing mechanism utilized in the 1988 Medicare Catastrophic Coverage Act with the objective of lessening the harsh financial impact that the current law has upon those senior citizens who had planned in order to be self sufficient in their golden years, and now find that they are being penalized by an additional tax on their income.

GI Bill

From all reports that the Reserve Officers Association has received the new Montgomery GI Bill is having a positive impact on the quality of recruits entering both the active and Reserve forces. We believe that the Montgomery GI Bill is good not only for the services and the individual service member but also for our country. Last year we testified in support of some fine tuning of the bill and were pleased to note that one of our major requests, the death benefit provision, was enacted into law.

The need still exists for certain improvements, including a legislative change which would permit Reservists to use the Montgomery GI Bill for post graduate training. This would be an incentive to attract and retain college graduates into Reserve programs. In addition, ROA has gone on the record as supporting recognition of on the job training, correspondence schools and apprenticeships as authorized programs under the new GI Bill. There are many skilled, technically oriented positions within the Reserve where such training courses could be utilized to raise the overall effectiveness of the Reserve Components.

The Two-Tier Reserve Component Retirement Plan

ROA notes that the Administration's Budget submission endorses the adoption of the Two-Tier Reserve Retirement Plan prepared by the Sixth Quadrennial Review of Military Compensation. While the Sixth Quad's report covered the whole range of Reserve Component compensation, and ROA supports many of its recommendations, the major change it proposed is to the Reserve Retirement system and this is an area were the Association feels caution should be exercised. The major rational for proposing a change to Reserve Retirement appears to be that it would provide a better management tool by permitting Commanders to offer some incentives for an individual to transfer immediately to the Retired Reserve and start receiving the first tier of Reserve retired pay provided, of course, that the service member has completed the necessary twenty qualifying years of service. In passing, we note that this change would increase near term outlays for the Reserve Retirement program. While on the surface the prospects of immediate retired pay, upon the completion of twenty qualifying years of service, has some appeal, we are concerned that the impact on the Survivor Benefit Plan has not been adequately addressed. For example, the typical enlisted Reservist retirees as an E7, and thus the "tier one" benefit of 5% basic pay at twenty years of service would provide an immediate retired pay of approximately $90 a month. Should that member elect the maximum survivor benefit annuity, the survivor would receive less than $50 a month and at age 62 less than $32 a month in constant dollars.

Because of this obvious shortcoming in the proposed two-tier retirement system ROA recommends that, if the services really feel they need a management tool to encourage selected individuals to retire early, there is a better understood, less traumatic and certainly in the short term less costly, way to do it. We believe strong consideration should be given to providing the no cost/low cost retirement benefits, that currently accrue at age 60 upon the receipt of Reserve retired pay, immediately upon an individuals transfer to the Retired Reserve, assuming of course, that he or she has the necessary twenty qualifying years of service. These no cost/low cost benefits would include Space A travel, unlimited commissary and exchange privileges, access to MWR facilities, etc., but would not include medical benefits until age 60. A side benefit of granting these privileges to the so called "grey area" Reserve retiree would be the potential for raising additional funds for the MWR system, which as you know, is suffering in this area. Thus, before consideration is given to a complete revamping of the entire Reserve Component retirement system, we suggest that the Congress consider the granting of these no cost/low cost benefits immediately upon the transfer to the Retired Reserve by those Reservists who will be eligible for Reserve retired pay at age 60.

Survivor Benefit Plan

We believe that the current Survivor Benefit Plan requires another look and towards that end ROA has been working with the Military Coalition in the preparation of a revised SBP which would not reduce benefits for survivors upon the attainment of age 62. The enactment of the Two-tier Survivor Benefit Plan, contained in the FY86 Defense Authorization Bill which became effective 1 October 1985, has focused attention on the fact that SBP is reduced when the survivor reaches age 62. At least under the old social security offset system a Reservist who paid maximum social security taxes each year in his civilian employment, and thus had no military pay contribution to FICA, was providing an unreduced annuity for his or her survivors. Under the new system the survivor of a Reservist who had no social security credits based upon military service will still suffer an annuity reduction from 55% to 35% at age 62. We believe that this arbitrary formula unjustly impacts on this group of survivors and recommend that the Committee re-examine the whole Survivor Benefit Plan with the goal of eliminating such drastic reductions as the survivor gets older and instead support a plan which would provide a constant annuity to the survivor .

COLA Equity

If adopted as submitted the Administration's FY90 budget will do serious damage to military retirement. The budget proposal would eliminate the Cost of Living Adjustment (COLA) for all military retirees and federal retirees that will be due this December to compensate for the inflation that has occurred over the previous year. In addition, future COLAs would be limited to the CPI minus 1% thus guaranteeing the diminishing purchasing power of military retired pay. The paradox in the budget submitted to Congress by the Administration is that it claims to provide full COLA protection to veterans as well as social security recipients. The fact that military retirees are veterans too is totally ignored.

ROA believes that the elimination of this year's COLA and the reduction of future COLAs places an unfair burden for deficit reduction on those who have spent a minimum of twenty years in the military serving our nation. We do not believe that military retirees and federal civilian retirees should be singled out again to shoulder a disproportionate share of budget cuts. In fairness, the same basic COLA policy must apply to those who retire under all government sponsored retirement programs, be it social security, military, or civil service. Since no reduction is proposed in social security or veterans COLAs we strongly urge you to support COLA equity for military retirees. Continued erosion of the purchasing power of military retired pay will result in a lack of confidence in the system and adversely impact upon the ability to acquire and retain the quality and quantity of personnel needed to man the Total Force. Since legislation has been introduced in both the House and the Senate to preserve COLA equity we urge you to support H.R. 1074 and S. 416 if the full COLA is not restored by Committee action.

Tax Relief for Drilling Reservists

Prior to the 1986 Tax Reform Act members of the National Guard and Reserve were allowed to deduct the full cost of travel, food and lodging expenses related to their military training duties. Unfortunately, the 1986 Tax Reform Act permits these expenses to be deducted only if they, in combination with other authorized expenses, total more than 2% of the individual's annual income. We believe that this change is a disincentive that needs to be corrected. If we want to encourage participation in the Guard and Reserve, service members should receive fair tax treatment and be permitted full deductibility of expenses including travel, food, and lodging connected with their military service.

Burial in National Cemeteries

Finally, we would like to obtain your support for a legislative proposal to amend the U.S. Code to allow a member of a Reserve Component of the Armed Forces who has served twenty or more years to be buried in the National Cemetery system administered by the Department of Veterans Affairs. Members of the Reserve Components are not considered Veterans unless they qualify by virtue of having served on active duty. Thus, although members of the Reserve Components play a critical role in the total military force of the United States, they are not eligible to be buried in a National Cemetery except under very limited circumstances. We believe that any member of the Reserve Components who has maintained a commitment to the Armed Forces for over twenty years should be permitted to be buried along with others who have provided this nation's defense. After such an extended period of service these patriots should be afforded eligibility for burial in our National Cemeteries in consideration of the service they rendered voluntarily for their country. We understand that a legislative proposal to accomplish this objective is under consideration within the Department of Defense and we would request your favorable support when it reaches the Congress.

Thank you for the opportunity to present ROA's views on these important subjects. Your support for the men and women in uniform both active and Reserve is sincerely appreciated. I will be happy to answer any questions you might have.

[Whereupon, at 3:54 p.m., the subcommittee adjourned.]

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